

7. BUSINESS OVERVIEW (CONT'D)

There is no overlap of utilisation of proceeds between our IPO and the first issuance under the ICP and IMTN Programme. The proceeds from the issuance of first sub-tranche of ICP under the ICP and IMTN Programme will be utilised to defray outstanding fees and expenses incurred in relation to the ICP and IMTN Programme, to fund the ICP and IMTN trustee's reimbursement account and to reimburse SkyWorld Vietnam for related expenses. The second issuance under the ICP and IMTN Programme is intended to be utilised by our Group solely for our Group's geographical expansion in Vietnam whereas subsequent tranches are to be utilised by our Group for the planned developments in Malaysia (as detailed in Section 7.7.2 of this Prospectus) while the IPO proceeds will be utilised for working capital in respect of our Group's project developments in Malaysia (as detailed in Section 4.8 of this Prospectus). There are no set timelines for subsequent issuances under the ICP and IMTN Programme as at LPD.

The salient terms of the ICP and IMTN Programme are as set out below:

Issuer	SkyWorld Capital (" Issuer ")
Nominal Value	RM300 million
Tenure	<u>ICP</u> : Not exceeding twelve (12) months as may be selected by the Issuer. <u>IMTN</u> : At least one (1) year and up to seven (7) years as may be selected by the Issuer and shall mature on or before the expiry of the ICP and IMTN Programme.
Underwriting	The first issuance of ICP and IMTN under the ICP and IMTN Programme is not underwritten. Notwithstanding this, SkyWorld Capital may arrange for subsequent issuances of ICP and IMTN under the ICP and IMTN Programme to be underwritten in part or in full based on underwriting fees and yields to be agreed then with the underwriter(s).
Redemption	Unless previously redeemed, purchased and cancelled, the ICP and IMTN Programme will be redeemed by the Issuer at their respective nominal value as at maturity date.
Listing status	The ICP and IMTN Programme will not be listed on Bursa Securities or any other stock exchanges.
Profit/coupon/rental rate (fixed or floating)	<u>ICP</u> : The ICP will be issued at a discount to its nominal value without periodic distribution. The profit rate shall be fixed rate, to be determined and agreed prior to each issuance. <u>IMTN</u> : The IMTN will be issued at a discount, at par, or at a premium to its nominal value with periodic distribution. The periodic distribution rate shall be fixed or floating rate, to be determined and agreed prior to each issuance of the respective IMTN. In relation to IMTN which the periodic distribution rate is on a floating basis, such periodic distribution rate shall be the aggregate of the spread for floating rate and the relevant floating rate benchmark (" Floating Profit Rate "), subject to the maximum profit rate. If the Floating Profit Rate is higher than the maximum profit rate, the Issuer shall be obliged to make periodic distribution at the maximum profit rate only.

Kenanga IB have been appointed as the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent for the establishment of the ICP and IMTN programme. Additionally, Newfields Advisors and RDS have been appointed as the Financial Adviser and Solicitor for the establishment of the ICP and IMTN programme, respectively. Please refer to Section 11.3 of this Prospectus for the disclosure on conflict of interest.

7. BUSINESS OVERVIEW (CONT'D)

Based on the latest audited financials for FPE 2023, assuming a full drawdown of the RM300.00 million ICP and IMTN Programme, the impact on our Group's gearing shall be as follows:

	Prior to drawdown of ICP and IMTN	Assuming full drawdown of ICP and IMTN
Gearing ⁽¹⁾	0.81	1.35
Net Gearing ⁽²⁾	0.21	0.75

Notes:

(1) Gearing is calculated by dividing the total debt over total equity.

(2) Net gearing is calculated by dividing the total debt less cash and bank balances over total equity.

Notwithstanding the assumption of a full drawdown on the ICP and IMTN programme, the actual issuance / subscription for the tranches is dependent on the availability of subscribers as well as our Group's working capital requirements which cannot be determined at present, save for the planned developments of our Group in Malaysia and the future expansion plans to Vietnam, which is detailed in Sections 7.7.2 and 7.7.4 of this Prospectus.

7.23.3 Environmental, Social and Governance practices of our Group

We are committed to achieving sustainability goals to build economic, environment and social responsibilities, and effective corporate governance into all aspects of our business and operations. We believe in staying transparent, innovative and continue to stay relevant are keys to driving a sustainable business.

Sustainability Scope and Frameworks

We will develop our sustainability framework based on the following frameworks and standards:

- Bursa Securities' Main Market Listing Requirements for Sustainability;
- Bursa Securities' Sustainability Reporting Guide (3rd Edition); and
- MCCG.

We strive to improve in our sustainability journey and as part of this initiatives, we are also being guided by international sustainability frameworks and standards which include:

- Global Reporting Initiative ("GRI");
- United Nations Sustainable Development Goals ("UNSDG"); and
- Global Real Estate Sustainability Benchmark ("GRESB").

Sustainability Governance

SkyWorld acknowledges good corporate governance and transparency are intrinsic to achieve responsible and sustainable growth. Our Group intends to put in place a clear governance structure to ensure that all sustainability measures and efforts are carried out effectively as shown below:

7. BUSINESS OVERVIEW (CONT'D)

Board of Directors

Responsible for overall governance of our Group's sustainability strategies and performance
Ensures that our Group's business strategy considers sustainability.

Chief Executive Officer

Provides leadership and direction on the implementation of the Group's sustainability strategies, sustainability risks and opportunities
Approves targets and market disclosures.

Sustainability Working Committee

Supports the implementation of sustainability initiatives.
Reviews key sustainability risks and opportunities.
Reports on management targets.

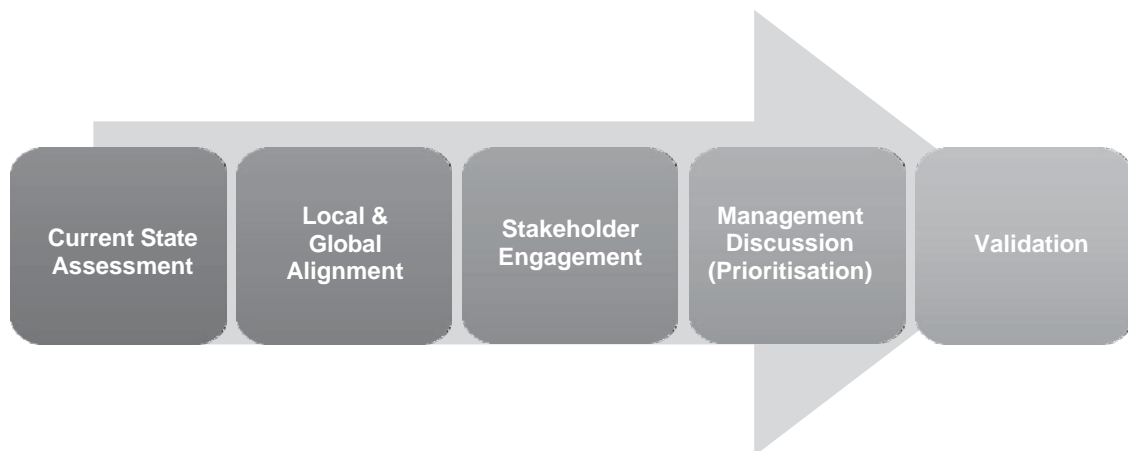
Our Board holds the highest authority over our Group's sustainability strategy and governance, reviewing and approving all sustainability-related policies and initiatives, and ensures that sustainability is practiced across all business operations.

Our Chief Executive Officer will lead the implementation of sustainability strategies and approved targets and market disclosures of our Group and works with the Sustainability Working Committee to review existing strategies for continuous improvement, along with providing oversight for our Group's sustainability risks and opportunities.

The Sustainability Working Committee will oversee and monitor the execution of SkyWorld's sustainability initiatives and sets relevant targets. The Sustainability Working Committee reports directly to our Chief Executive Officer and comprises representatives from relevant functions across our Group, namely Finance, Operation, Product, Customer Advocacy, Brand Communication and Talents.

Materiality Assessment Process

Based on Bursa Securities' Main Market Listing Requirements for Sustainability, the SRG and other sustainability frameworks and standards, we will formulate our materiality assessment process into 5-phases approach as follows:



We will evaluate and identify our sustainability practices based on sustainability practices, activities and initiatives that SkyWorld has and we will populate the result in a database. From the database, we will align it with local and global sustainability frameworks and standards.

7. BUSINESS OVERVIEW (CONT'D)

Subsequently, we will then identify who are stakeholders significant to us and impacted by our business operation.

From the result of the database and stakeholder's engagement assessment, we will identify material sustainability matters and assess its prioritisation, looking at its significance, both from the perspective of our business and stakeholders. The result of prioritisation will be validated through several discussions by the senior management and will be presented to the Board of Directors for approval. The approved sustainability material matters will be our sustainability materiality profile.

Stakeholders Management

Communications and stakeholders' engagement are key aspects of driving sustainability within SkyWorld. Communication is vital to increase awareness and understanding both within and outside of our Group.

The approach also enables the message of sustainability to reach key communities or groups and also provides a channel to garner insights, feedback and opinions from stakeholders. Ultimately, effective communication gains strong support for SkyWorld's sustainability journey and its supporting strategies and efforts. Our engagement methods with stakeholders are highlighted in the table below:

Stakeholders	Key Engagement Methods	Concerns & Interests
1. Customers Existing and potential customers of products and services	<ul style="list-style-type: none"> ● SW Connects ● Corporate Website ● Social Media ● Events & Campaigns 	<ul style="list-style-type: none"> ➤ Product Quality & Design ➤ Customer Service & Experience
2. Employees Individuals employed by SkyWorld, including Board of Directors	<ul style="list-style-type: none"> ● Townhall ● SkyWorld Portal ● Email ● WhatsApp Broadcast ● Coffee Chat ● Employee Handbook ● Employee Survey 	<ul style="list-style-type: none"> ➤ Recognition, career development ➤ Employee benefits and welfare ➤ Workplace health and safety ➤ Company direction and growth plans ➤ Human rights
3. Shareowners and Investors Retail and institutional investors	<ul style="list-style-type: none"> ● Corporate website ● Investor briefings ● Meeting and site visits 	<ul style="list-style-type: none"> ➤ Sustainable financial returns ➤ Transparency ➤ Operational efficiency ➤ Business Strategy, risk management and corporate governance ➤ Effective leadership
4. Business Associates Consultants and contractors who provide materials and services	<ul style="list-style-type: none"> ● Meeting ● e-Procurement system ● Performance Evaluation ● Events & Campaigns 	<ul style="list-style-type: none"> ➤ Procurement processes ➤ Health & safety ➤ Job and business opportunities ➤ Quality standard
5. Media Print and digital media that deliver information to the wider audience	<ul style="list-style-type: none"> ● Press Release ● Media Interview ● Media Tour ● Press Conference 	<ul style="list-style-type: none"> ➤ Strategy and direction ➤ Product Launches ➤ Market and industry insights

7. BUSINESS OVERVIEW (CONT'D)

Stakeholders	Key Engagement Methods	Concerns & Interests
		➤ Job and business opportunities
6. Government and Regulatory Authority Malaysian and Federal, municipal councils and regulators	<ul style="list-style-type: none"> • Meeting • Events • Industry Workshops 	<ul style="list-style-type: none"> ➤ Compliance ➤ Product quality ➤ Affordable housing ➤ Environmental Impacts ➤ Regulatory filings and payments ➤ Social contributions
7. Communities Local communities who are impacted directly and indirectly by operations	<ul style="list-style-type: none"> • Meeting • Social Media • Collaborations 	<ul style="list-style-type: none"> ➤ Community development ➤ Health and safety ➤ Location connectivity ➤ Infrastructure improvement ➤ Environmental impacts ➤ Affordable housing ➤ Job creation

Material Sustainability Matters

Our management has identified potential key sustainability material topics where we have and can make significant impacts and contributions. In view that it is an ongoing challenge, we address these challenges as part of opportunities, and frame around our business operations. Starting with our priority sustainability topics, we will map the impact of building a portfolio of goals that are aligned with our sustainability and business strategies. These potential key sustainability material topics will be taken into consideration while developing our Sustainability Framework and can be summarised by the following themes:

Governance	<ol style="list-style-type: none"> 1. Corporate Governance 2. Anti-corruption and Whistleblowing 3. Regulatory Compliance
Economic	<ol style="list-style-type: none"> 1. Financial Stability 2. Products and services
Environment	<ol style="list-style-type: none"> 1. Green Buildings 2. Sustainable Developments 3. Emissions and Climate Change 4. Environmental Compliance
Social	<ol style="list-style-type: none"> 1. Occupational Health & Safety 2. Diversity and Equal Opportunity 3. Affordable Housing 4. Community Development

7. BUSINESS OVERVIEW (CONT'D)

Details explanation of each of the material sustainability matters is explained in the following section.

(1) Governance

(a) Corporate Governance

We are committed to uphold standards of corporate governance and ethical conduct in accordance with the principles and practices of corporate governance as set out in the MCCG. We have put in place practices in accordance with the 3 principles stipulated in the MCCG which covers:

- (i) board leadership and effectiveness;
- (ii) effective audit and risk management; and
- (iii) integrity in corporate reporting and establishing meaningful relationship with our stakeholders.

Our Board comprises of 3 Non-Independent Executive Directors and 4 Independent Non- Executive Directors, which forms a majority of independent directors. We have also met the recommendation of the MCCG for our Board to comprise of at least 30% women directors, with 3 female directors representing 43% of our Board members. We intend to comply with other aspects of the MCCG (such as sustainability strategies, priorities and targets, Board's nomination and selection process, Board annual assessment, remuneration policy and procedure for Directors and Key Senior Management, and the conducts of general meetings) upon our Listing. We will also provide a statement on the extent of compliance with the MCCG in our first annual report after our Listing.

(b) Anti-Corruption and Whistleblowing

SkyWorld has adopted a zero-tolerance policy (direct or indirect) against all forms of bribery and corruption. SkyWorld Code of Business Conduct sets out SkyWorld core principles in this regard This Anti Bribery and Corruption Policy elaborates upon those principles, providing guidance to employees concerning how to deal with improper solicitation, bribery and other corrupt activities and issues that may arise in course of business.

SkyWorld strictly prohibits any practices or dealings relating to money laundering and is committed to comply with the applicable anti-money laundering, anti-terrorist financing laws and regulations We do not condone, facilitate or support money laundering or terrorist financing To avoid violating anti-money laundering laws, employees are expected to conduct reasonable customers and counterparty due diligence to understand the business and background of SkyWorld's prospective business customers and counterparties and to determine the origin and destination of money, property and services.

(c) Regulatory compliance

Our Board and management is committed in conducting business with integrity, consistent with the high standards of business ethics, and in compliance with all applicable laws and regulatory requirements. Our Company implements clear and transparent policies to continuously monitor, evaluate and validate business processes to in line with applicable legal requirements.

7. BUSINESS OVERVIEW (CONT'D)

All instances of non-compliance to regulatory requirements are disclosed in Section 7.22 of this Prospectus. To prevent recurrence of the non-compliance incidents, we have / will further implement the measures as detailed in Section 7.22.2 of this Prospectus to enhance the internal control system of our Group.

(2) Economic**(a) Financial Stability**

In generating economic value for our stakeholders, we aim to adopt sustainable and responsible environmental and social practices, and to operate our business within well-defined corporate governance rules, practices, guidelines and processes to ensure ethical and responsible business transactions and activities to attain our corporate objectives. Our financials are described in more details in Section 12 of this Prospectus.

(b) Products and services

We place significant emphasis and commitment on the quality of our property development as we believe it will not only create direct economic value but also strengthen long-term relationship with our customers. This is demonstrated by the quality certifications from CIDB. The quality of our property development was assessed using QLASSIC. For further details of our QLASSIC scores, please refer to Section 7.2.2 of this Prospectus.

The satisfaction of our customers is paramount to the continuity of our business. A material topic to all our divisions, customer satisfaction determines our ability to secure new and repeated business as well as fortify our ongoing relationships to achieve economic success. We strive to fulfil our customer needs and exceed their expectations. Each division adopts different targets and measures of customer satisfaction due to the diversity of its business. We have conducted customer satisfaction surveys during project handovers to gauge our customer satisfaction levels.

(3) Environment

We are keenly aware that our business has an effect, directly and indirectly, on the environment. As such, we will strive to adopt environmentally sustainable practices to avoid or minimise environmental damage, preserve the native and built environment and promote environmental preservation and growth where possible. Moving forward, we will develop guidelines, policies and practices to preserve, sustain and promote our environment while carrying out our business activities. Our Group has not experienced any environmental issues at its development sites.

The followings are some of the business activities we have carried out as part of our environmental sustainability and responsible practices:

(a) Green Buildings

We embrace sustainable environmental practices in our property development to incorporate environmentally friendly design into some of the properties that we developed. Among others, some of our developments are developed based on the GBI criteria developed by the Malaysian Institute of Architects and the Association of Consulting Engineers Malaysia. The GBI initiative aims to assist the building industry towards adopting sustainable development. The GBI is a rating system for evaluating the environmental design and performance of Malaysian buildings based on six main criteria of energy efficiency, indoor

7. BUSINESS OVERVIEW (CONT'D)

environment quality, sustainable site planning and management, materials and resources, water efficiency, and innovation.

Between 2016 and 2022, we have 5 developments awarded with GBI Certification including Bennington Residences, SkyMeridien Residences, SkySierra Residences (The Valley), SkyLuxe On The Park Residences and SkyVogue Residences. For further details on our Green Building Index certifications, please refer to Section 7.2.3 of this Prospectus.

Green Lungs

In our commitment to promote environmental sustainability we have completed the build of a green lung and recreation area in May 2021 which is located in one of our developments. It comprises a 2.92-acre landscaped area with the following ecological features:

- artificial lake using filtered natural water from rain, run-offs and underground water;
- introduction of various species of trees, bushes and plants to serve as a green lung area; and
- minimal build environment, such as walkways, for convenience of visitors while maximising green area.

The green lung and recreation area is built next to EdgeWood Residences, which is GreenRE certified, a system set up and certified by REHDA. GreenRE's standards and certification process are in line with the UNSDGs and World Green Building Council's commitment towards achieving a net zero future.

(b) Sustainable Developments

We also endeavour to integrate the sustainability aspects into our developments, whether by way of design and use of technology which would progressively be realised through new strategies and action plans. Some of the initiatives we have undertaken include, amongst others, changes to building design to maximise natural air ventilation and lighting, rainwater harvesting system for use in the landscape of our developments, installation of energy efficient lightings in common areas, use of green products such as environmental-friendly ceiling board, tiles and paints for our developments as well as providing electrical vehicle charging stations to promote the green energy vehicle usage.

The sustainable developments are applicable to both past and on-going developments. Past developments are upgraded by way of design and the use of current technology, in order to achieve standards of a sustainable development.

(c) Emission and Climate Change

Climate change has serious impacts towards our property sector and as Malaysia is getting warmer with average temperatures slowly increasing, issues caused by climate change are starting to slowly unfold within the real estate sector. Extreme weather events like floods, droughts, and rising sea levels may cause a decrease in property prices in high-risk areas, as people would be aware of the devastating impacts of such events. People are less likely to buy in properties at high-risk areas, considering it's a known fact that adequate preventive measures are still widely insufficient and ineffective in Malaysia.

7. BUSINESS OVERVIEW (CONT'D)

SkyWorld acknowledge its importance to address carbon emissions and intended to establish policies, procedures and processes by referring to Bursa Securities' revised listing requirements on sustainability reporting issued on 28 September 2022 to capture and record its carbon emissions and to prepare its plan and strategies to mitigating carbon emission in the coming years.

(d) Environmental Compliance

All our projects require compliance with the environmental law and regulations. A development order and approved building plans must be obtained prior to the commencement of any construction on land. During construction activities, SkyWorld is required to monitor any environmental impacts as well as comply with the relevant laws and regulations.

We have established a strict policies and procedures monitoring all aspects of environmental regulation from feasibility studies to construction and upon handing over to our customers. SkyWorld has launched 13 projects and we have not violated any environmental laws and regulations in all our projects.

(4) Social

The success of our business is dependent on our employees who helped in developing and growing our business. We are also dependent on the local community which are families and friends of our employees, providers of supporting products and services as well as our customers for the properties that we develop. As such, we have a social obligation to care for them and where possible assist in their welfare for they are our stakeholders in our business operations.

(a) Occupational, Safety and Health

Our Group place a strong emphasis on providing a safe and healthy environment for our employees. We are committed to and legally obligated to protect the health and safety of our employees and have made health and safety a management priority. We expect our employees at all levels to take precautions to avoid injury to themselves and others, as well as to co-operate with the implementation of the health and safety guidelines.

All employees shall be responsible:

- (i) to immediately report any work-related injury or illness to Superior or Talents;
- (ii) to ensure proper use of protective clothing, devices, or equipment;
- (iii) to attend all training sessions related to their job and participating in a safety committee when requested;
- (iv) to report and contain unsafe conditions and taking appropriate steps to eliminate and reduce hazards; and
- (v) to ensure their own safety, as well as that of others in the workplace.

Our primary concern relate to health and safety is to prevent work-related injuries or illness from happening. Aside from reporting accidents and injuries, any potential safety hazards, safety recommendations, and health and safety related concerns should be reported respective superior.

7. BUSINESS OVERVIEW (CONT'D)

(b) Diversity and Equal Opportunity

We support and practice workplace equal opportunity and career development as well as the hiring of local talents. As at the LPD, all our employees are Malaysians. We will continue to create equal opportunities for growth and development for our employees through mentoring and diversity training programmes to attract and retain talents. In addition, we have an appraisal system where employees are assessed based on their respective skillset and capabilities.

We also place emphasis on employee welfare and benefits to ensure employee's satisfaction. We were recognised by Kincentric, Spencer Stuart Star Malaysia Sdn Bhd as winner of Best Employer award for year 2019 and 2021.

(c) Affordable Housing

As an urban property developer, we work with the local authority to provide sustainable developments where we carry out affordable housing developments in FT Kuala Lumpur for the local community. Affordable housing is targeted at eligible households based on household income to provide housing to the lower income group. Prices of our affordable residential units under our SkyAwani Series are priced at RM300,000.

Since 2015 and up to the LPD, we have completed 3 affordable developments namely SkyAwani Residences, SkyAwani II Residences and SkyAwani III Residences with a total of 3,839 residential units completed for the local community. As at the LPD, we have two ongoing affordable developments, namely SkyAwani IV Residences and SkyAwani V Residences with a planned total of 2,397 residential units. The two ongoing affordable developments are expected to be completed by December 2023 and September 2024 respectively.

Our commitment to developing quality affordable developments for the local community can be demonstrated by the following:

- In 2019, we obtained the Construction Quality Excellence Award 2019, QLASSIC Special Appreciation Government Project for SkyAwani Residences by CIDB ; and
- We achieved QLASSIC scores ranging between 76% and 79% for the 3 completed affordable developments comprising SkyAwani Residences (76%), SkyAwani II Residences (79%) and SkyAwani III Residences (79%).

(d) Local communities and engagement

We also carried out social responsibility activities to support the underprivileged communities such as, amongst others, fund raising for old folks homes under innovative CSR campaign #Bid4Good, renting a space on behalf for charity home run by Pertubuhan Kebajikan Rumah Kasih Jing Yuan, donations to various charitable events and flood assistance to communities.

As part of SkyWorld's commitments toward sustainable living and social responsibility, we want to create a cohesive living community at large by supporting and giving back to those in need, irrespective of age, race and religion. In respect of that, we lent a helping hand through Al-Sultan Abdullah Foundation (YASA) to flood victims in Raub and Temerloh in Pahang by donating RM 70,000 cash as well as new furnitures that included bed, mattress, kitchen cabinet, dining table and chairs.

7. BUSINESS OVERVIEW (CONT'D)

We pledged to uphold our purpose to make living better by encouraging better literacy and education, promoting better health and well-being, reducing poverty, improving community infrastructure and providing financial and supporting those in need. On 11 May 2023, SkyWorld Foundation was established to serve as a platform for our Group to fulfil our corporate social responsibility initiatives, which aims to provide aid and improve the welfare of communities.

(5) Our plan for sustainability

As we move forward, we are evolving and streamlining our business structure to fully leverage our competitive advantages – in scale, integration, technology, functional excellence, and our highly skilled people. With our Listing, we will refine our strategies aligning it with our business development, product innovation and solution, and low carbon businesses along market-focused value chains to improve line of sight to customer needs and drive accountability.

As at the LPD, we are developing our sustainability framework including relevant policies and procedures to promote and maintain compliance with the Listing Requirements. Our sustainability governance framework will also include various working groups, governing committees, reporting structures and frequencies, and roles and responsibilities.

This will position us to deliver greater shareholder returns as well as managing various stakeholders' expectation across a broad range of future transition scenarios. We strive to be an innovative property developer, supplying properties that people need to live healthy and prosperous lives in an ever-changing world. We are committed to continuing to provide critical accommodation solutions that support a lower-emission future and create sustainable value for all stakeholders.

As at the LPD, our Group has yet to fully adopt the measures to enhance its environmental, social and governance practices.

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8. INDEPENDENT MARKET RESEARCH REPORT



Vital Factor Consulting Sdn Bhd
(Company No.: 199301012059 (266797-T))

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23 May 2023

The Board of Directors
SkyWorld Development Berhad
Level 1, Block B, Wisma NTP World
Excella Business Park
Jalan Ampang Putra
55100 Ampang, KL

Dear Sirs and Madams

Independent Assessment of the Property Development Industry in Malaysia

We are an independent business consulting and market research company based in Malaysia. We commenced our business in 1993 and, among others, our services include the provision of business plans, business opportunity evaluations, commercial due diligence, feasibility studies, industry assessments and market studies. We have also assisted in corporate exercises since 1996, having been involved in initial public offerings, takeovers, mergers and acquisitions, and business regularisations for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities) where we acted as the independent business and market research consultants. Our services for corporate exercises include business overviews, independent industry assessments, management discussion and analysis, and business and industry risk assessments.

We have been engaged to provide an independent assessment of the above industry for inclusion in the prospectus of SkyWorld Development Berhad for the listing of its shares on the Main Market of Bursa Securities. We have prepared this report independently and objectively and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, the availability of timely information and analyses based on secondary and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions, actions or inactions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include information, assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wooi Tan
Managing Director

Wooi Tan has a degree in Bachelor of Science from The University of New South Wales, Australia and a degree in Master of Business Administration from The New South Wales Institute of Technology (now known as the University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and the Institute of Managers and Leaders. He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing of their shares on Bursa Securities.

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

Date of Report: 23 May 2023

INDEPENDENT ASSESSMENT OF THE PROPERTY DEVELOPMENT INDUSTRY IN MALAYSIA**1. INTRODUCTION**

- SkyWorld Development Berhad together with its subsidiaries, (herein referred to as SkyWorld Group) is mainly involved in the development of high-rise residential, commercial and affordable properties comprising mainly condominiums, apartments and serviced apartments. SkyWorld Group's properties are located in the Federal Territory (FT) Kuala Lumpur (KL) including the districts (referred to as Mukim) of Batu, Setapak, Hulu Kelang, KL and Petaling. The above will be the focus of this report.

2. PERFORMANCE OF THE ECONOMY AND PROPERTY DEVELOPMENT INDUSTRY**2.1 Gross Domestic Product of Malaysia's Economy and the Property Development Industry**

- Gross Domestic Product (GDP) measures the gross value added to the output of goods and services in a country or sector during a specified period. Real GDP provides a measure of "real" changes in output over time, due to changes in the quantity of goods and services produced, rather than changes in their prices.
- In 2022, the real GDP of Malaysia grew by 8.7%, contributed by the full upliftment of containment measures, resilient growth in exports, revival of tourism activity and continued policy support (Source: Bank Negara Malaysia (BNM)). As for the property development industry, real GDP recovered to grow by 28.5% in 2022 compared to a decline of 12.8% in 2021, in line with the pickup in construction activities. In 2022, the property development industry was valued at RM23.0 billion in terms of nominal GDP (Source: DOSM).
- According to the BNM, the Malaysian economy is projected to grow between 4.0% and 5.0% in 2023, supported by firm domestic demand. While the economy is expected to face challenges from slowing global growth, the elevated cost of living and input costs as well as their impact on household and business spending behaviour, further improvement in the labour market conditions, continued implementation of multi-year investment projects and higher tourism activity, are expected to support private consumption and investment growth. In the first quarter (Q1) of 2023, the real GDP of Malaysia grew by 5.6% compared to Q1 2022, mainly supported by a further expansion in household spending, continued investment activities and higher inbound tourism. (Source: BNM and DOSM)
- In 2023, the property development industry is projected to grow on the back of a stronger housing market and rental activities following higher home ownerships and tenancies as a result of Government initiatives such as the Malaysia Premium Visa Programme and the Keluarga Malaysia Home Ownership Initiative (i-MILIKI). In Q1 2023, the property development industry grew by 1.9% compared to Q1 2022. (Source: MoF and DOSM)



CAGR = Compound annual growth rate (Source: Department of Statistics Malaysia (DOSM))

2.2 Performance of the Residential Property Market

- As SkyWorld Group is involved in the development of residential properties such as condominiums and apartments in FT KL, the following section will assess the performance of the residential property market. Residential property transactions represented the largest segment, which accounted for 62.5% or 243,190 units of the total volume of 389,107 units of properties that were transacted in Malaysia in 2022 (Source: NAPIC).

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**2.2.1 Overview of Residential Property Transactions****Residential Property Transactions* in Malaysia and FT KL**

	2018	2019	2020	2021	2022	CAGR	
						'21-'22	'18-'22
Malaysia							
Vol.(Units)	197,385	209,295	191,354	198,812	243,190	22.3%	5.4%
Val.(RM mil)	68,748	72,407	65,874	76,902	94,276	22.6%	8.2%
FT KL							
Vol.(Units)	10,983	11,100	10,606	11,129	13,182	18.4%	4.7%
Val.(RM mil)	9,259	8,339	8,238	9,692	11,786	21.6%	6.2%



Source: (DOSM)

Notes:

(1) SkyWorld Group's property developments are located in these Mukim.

(2) Include KL City Centre, Mukim Cheras and Mukim Ampang.

(3) Total may not add up due to rounding.

(Source: National Property Information Centre (NAPIC))

Residential Property Transactions* in FT KL by Mukim

	KL (1)	Petaling (1)	Setapak (1)	Hulu Kelang (1)	Batu (1)	Others (2)	Total (3)
Vol. (units)							
2020	2,079	2,872	1,734	123	2,269	1,529	10,606
2021	2,342	2,425	1,992	134	2,664	1,572	11,129
2022	2,898	2,891	2,182	143	3,434	1,634	13,182
'21-'22	23.7%	19.2%	9.5%	6.7%	28.9%	3.9%	18.4%
CAGR '20-'22	18.1%	0.3%	12.2%	7.8%	23.0%	3.4%	11.5%
Val. (RM mil)							
2020	2,270	1,433	816	37	2,331	1,351	8,238
2021	2,938	1,702	987	46	2,734	1,285	9,692
2022	3,392	2,271	984	54	3,327	1,758	11,786
'21-'22	15.5%	33.4%	-0.3%	17.4%	21.7%	36.8%	21.6%
CAGR '20-'22	22.2%	25.9%	9.8%	20.8%	19.5%	14.1%	19.6%

Vol. = Volume; Val. = Value; *Including sales of new and sub-sale properties.

- In 2022, the volume and value of residential property transactions in FT KL grew by 18.4% and 21.6% respectively due to growth across all Mukim in FT KL except Mukim Ampang and Mukim Setapak. Activity in the housing market continued to be robust following the resumption of economic activities and improved employment conditions. Despite rising inflationary and cost of borrowing pressures, activity in the housing market is anticipated to sustain its recovery momentum, backed by a gradual improvement in income and business conditions as well as policy measures. Some examples of such measures include the extension of the full stamp duty exemption for properties priced at RM500,000 and below, and a 75% stamp duty discount on properties priced above RM500,000 to RM1 million (Source: BNM).
- In Q1 2023, the volume and value of residential property transactions in FT KL declined by 8.4% and 30.1% respectively, compared to Q1 2022 (Source: NAPIC). This was partially attributed to weakening consumer sentiment.

2.2.2 Residential Property Transactions by Price Range

- SkyWorld Group is involved in developing high-rise residential properties and affordable housing comprising condominiums and apartments. The Group's affordable residential units are priced at RM300,000 while other residential property developments are above RM300,000.

Volume of Residential Property Transactions* in FT KL by Price Range

	2018		2019		2020		2021		2022		CAGR '18-'22	CAGR '20-'22
	Units	YoY%	Units	YoY%	Units	YoY%	Units	YoY%	Units	YoY%		
FT KL	10,983	1.2	11,100	1.1	10,606	-4.5	11,129	4.9	13,182	18.4	4.7%	11.5%
A	3,589	3.8	3,702	3.1	3,102	-16.2	3,262	5.2	3,968	21.6	2.5%	13.1%
B	2,482	6.3	2,665	7.4	3,114	16.8	2,965	-4.8	3,187	7.5	6.4%	1.2%
C	2,661	-5.6	2,671	0.4	2,422	-9.3	2,646	9.2	3,309	25.1	5.6%	16.9%
D	2,251	0.4	2,062	-8.4	1,968	-4.6	2,256	14.6	2,718	20.5	4.8%	17.5%

A = RM300,000 and below; B = RM300,001-RM500,000; C = RM500,001-RM1 million; D = Above RM1 million; *Including sales of new and sub-sale properties; YoY = Year-on-year growth. (Source: NAPIC)

- In 2022, all residential property price segments experienced an increase in the volume of transactions. In Q1 2023, all residential property price segments recorded a decline in the volume of transactions compared to Q1 2022 (Source: NAPIC).

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)**2.2.3 Residential Property Transactions by Type of Buildings**

- In 2022, high-rise residential properties accounted for approximately 70.6% (9,301 transactions) of the total volume of residential property transactions in FT KL. The remaining 29.4% were landed residential properties, vacant plots and other residential properties such as kindergartens and hostel units. In 2022, 70.8% of the total volume of high-rise residential property transactions in FT KL were condominiums and apartments while the remaining 29.2% of transactions were flats and low-cost flats (*Source: NAPIC*).

Volume of Residential Property Transactions* in FT KL by Type

	2018		2019		2020		2021		2022		CAGR	CAGR
	Units	YoY%	Units	YoY%	Units	YoY%	Units	YoY%	Units	YoY%	'18-'22	'20-'22
Vol.											%	%
FT KL	10,983	1.2	11,100	1.1	10,606	-4.5	11,129	4.9	13,182	18.4	4.7	11.5
HR ⁽¹⁾	7,604	0.4	8,022	5.5	7,796	-2.8	7,786	-0.1	9,301	19.5	5.2	9.2
Landed ⁽²⁾	3,147	1.4	2,888	-8.2	2,655	-8.1	3,078	15.9	3,661	18.9	3.9	17.4
Others ⁽³⁾	232	31.1	190	-18.1	155	-18.4	265	71.0	220	-17.0	-1.3	19.1
Val.											%	%
FT KL	9,259	-4.5	8,339	-9.9	8,238	-1.2	9,692	17.6	11,786	21.6	6.2	19.6
HR ⁽¹⁾	4,382	-2.9	4,416	0.8	4,386	-0.7	4,501	2.6	6,110	35.7	8.7	18.0
Landed ⁽²⁾	3,981	0.7	3,442	-13.5	3,289	-4.4	4,306	30.9	4,822	12.0	4.9	21.1
Others ⁽³⁾	896	-27.0	481	-46.3	563	17.0	885	57.2	854	-3.6	-1.2	23.2

*Including sales of new and sub-sale properties; Vol.=Volume; Val.=Value; YoY=Year-on-year growth; HR=High-rise.
Notes: (1) Includes condominiums, apartments, flats and low-cost flats. (2) Includes single/2-3 storey terrace, single/2-3 storey semi-detached, detached, cluster, low-cost houses and townhouses. (3) Includes vacant plots and other types of residential properties such as kindergartens and hostel units. (*Source: NAPIC*)

- In 2022, the volume of high-rise residential property transactions in FT KL recovered to grow by 19.5% following a decline of 0.1% in 2021. Meanwhile, the volume of landed residential property transactions in 2022 continued to increase by 18.9% compared to 15.9% in 2021. Overall, the volume and value of high-rise and landed residential property transactions in FT KL in 2022 indicated signs of recovery and growth, mainly supported by government initiatives such as the i-MILIKI, i-Biaya as well as various housing initiatives introduced under Budget 2022. In Q1 2023, the volume of high-rise and landed residential property transactions in FT KL declined by 4.3% and 16.0% respectively (*Source: NAPIC*).

2.3 Performance of the Commercial Property Market

- As SkyWorld Group is also involved in the development of mainly serviced apartments under commercial development, the following section examines the performance of the commercial property market in FT KL. Commercial property transactions accounted for 8.4% or 32,809 units of the total volume of 389,107 units of properties that were transacted in Malaysia in 2022 (*Source: NAPIC*).

2.3.1 Overview of Commercial Property Transactions

- In FT KL, the volume of commercial property transactions increased at a CAGR of 24.7%, while the value of commercial property transactions increased at a CAGR of 33.2% between 2020 and 2022.

Commercial Property Transactions* in Malaysia and FT KL

	2018	2019	2020	2021	2022	CAGR	CAGR	CAGR
						'21-'22	'18-'22	'20-'22
Malaysia								
Vol.(Units)	23,936	25,654	20,255	22,428	32,809	46.3%	8.2%	27.3%
Val.(RM mil)	29,514	28,985	19,530	27,941	32,613	16.7%	2.5%	29.2%
FT KL								
Vol.(Units)	4,079	3,974	3,072	3,251	4,777	46.9%	4.0%	24.7%
Val.(RM mil)	11,692	8,562	4,785	8,945	8,488	-5.1%	-7.7%	33.2%

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



Commercial Property Transactions* in FT KL by Mukim

	KL ⁽¹⁾	Petaling ⁽¹⁾	Setapak ⁽¹⁾	Hulu Kelang ⁽¹⁾	Batu ⁽¹⁾	Others ⁽²⁾	Total ⁽³⁾
Vol.(units)							
2020	493	531	357	2	576	1,113	3,072
2021	525	652	452	2	618	1,002	3,251
2022	712	856	470	5	1,008	1,726	4,777
'21-'22	35.6%	31.3%	4.0%	150.0%	63.1%	72.3%	46.9%
CAGR '20-'22	20.2%	27.0%	14.7%	58.1%	32.3%	24.5%	24.7%
Val.(RM mil)							
2020	1,000	666	352	1	547	2,219	4,785
2021	1,976	619	364	1	581	5,405	8,946
2022	1,206	1,513	495	92	1,019	4,163	8,488
'21-'22	-39.0%	144.4%	36.0%	# 9,100%	75.4%	-23.0%	-5.1%
CAGR '20-'22	9.8%	50.7%	18.6%	# 859.2%	36.5%	37.0%	33.2%

High percentage due to low base in 2020 and 2021; Vol. = Volume; Val. = Value; n.a. = not available; *Including sales of new and sub-sale properties. Notes: (1) Skyworld Group's property developments are located in these Mukim. (2) Include KL City Centre, Mukim Cheras and Mukim Ampang. (3) Total may not add up due to rounding. (Source: NAPIC)

- In 2022, the volume of commercial property transactions in FT KL increased by 46.9% while the value of transactions declined by 5.1% compared to 2021. The increase in the volume of commercial property transactions in FT KL was mainly due to an increase in the volume transacted for serviced apartments by 56.1%. In Q1 2023, the volume of commercial property transactions in FT KL increased by 6.6%, while the value of transactions declined by 32.7%, compared to Q1 2022. (Source: NAPIC)

2.3.2 Commercial Property Transactions by Price Range

Volume of Commercial Property Transactions* in FT KL by Price Range ⁽¹⁾

	2018		2019		2020		2021		2022		CAGR	CAGR
	Units	YoY%	Units	YoY%	Units	YoY%	Units	YoY%	Units	YoY%	'18-'22	'20-'22
FT KL	4,079	26.0	3,974	-2.6	3,072	-22.7	3,251	5.8	4,777	46.9	4.0%	24.7%
A	435	24.3	392	-9.9	395	0.8	343	-13.2	451	31.5	0.9%	6.9%
B	757	11.0	785	3.7	622	-20.8	738	18.6	1,001	35.6	7.2%	26.9%
C	1,368	28.9	1,405	2.7	1,078	-23.3	1,172	8.7	1,899	62.0	8.5%	32.7%
D	1,519	32.7	1,392	-8.4	977	-29.8	998	2.1	1,426	42.9	-1.6%	20.8%

A= RM300,000 and below; B= RM300,001-RM500,000; C= RM500,001-RM1 million; D= Above RM1 million; *Including sales of new and sub-sale properties; YoY=Year-on-year growth. (1) The price ranges used for the commercial property transactions are consistent with that of the residential property transactions as serviced apartments are commercial properties. (Source: NAPIC)

- In 2022 and Q1 2023, the highest volume transacted for commercial properties in FT KL were properties costing above RM500,000 which represented 69.6% and 66.5% of the total volume of commercial property transactions in FT KL respectively (Source: NAPIC).

2.3.3 Commercial Property Transactions by Type of Buildings

- In 2022, high-rise commercial properties represented 84.7% (4,046 transactions) of the total volume of commercial properties transacted in FT KL, while the remaining 15.3% were shops, vacant plots as well as other commercial properties such as fire stations and clubhouses. In 2022, 69.6% of the total volume of high-rise commercial property transactions in FT KL were serviced apartments while the remaining 30.4% were shopping complexes, shop units/retail lots, purpose-built offices, office lots, small office home office (SOHO)/small office flexible office (SOFO)/small office virtual office (SOVO), hotels and leisure properties.

Volume of Commercial Property Transactions* in FT KL by Type

	2018		2019		2020		2021		2022		CAGR	CAGR
	Units	YoY%	Units	YoY%	Units	YoY%	Units	YoY%	Units	YoY%	'18-'22	'20-'22
Vol.											%	%
FT KL	4,079	26.0	3,974	-2.6	3,072	-22.7	3,251	5.8	4,777	46.9	4.0	24.7
HR ⁽¹⁾	3,397	24.9	3,397	0.0	2,550	-24.9	2,681	5.1	4,046	50.9	4.5	26.0
Landed ⁽²⁾	610	28.2	529	-13.3	475	-10.2	496	4.4	680	37.1	2.8	19.6
Others ⁽³⁾	72	71.4	48	-33.3	47	-2.1	74	57.4	51	-31.1	-8.3	4.2
Val.											%	%
FT KL	11,692	38.1	8,562	-26.8	4,785	-44.1	8,945	86.9	8,488	-5.1	-7.7	33.2
HR ⁽¹⁾	4,073	-23.1	6,093	49.6	3,026	-50.3	6,595	117.9	5,115	-22.4	5.9	30.0
Landed ⁽²⁾	1,513	26.3	1,341	-11.4	1,060	-21.0	1,140	7.5	1,639	43.8	2.0	24.3
Others ⁽³⁾	6,106	209.8	1,128	-81.5	699	-38.0	1,210	73.1	1,734	43.3	-27.0	57.5

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

*Including sales of new and sub-sale properties; Vol.=Volume; Val.=Value; YoY = Year-on-year growth; HR=High-rise. Notes: (1) Includes shopping complexes, shop units/retail lots, purpose-built offices, office lots, SOHO/ SOFO/ SOVO, hotels, leisure properties as well as serviced apartments. (2) Includes shops. (3) Include vacant plots as well as other types of commercial properties such as fire stations and clubhouses. (Source: NAPIC)

- In 2022, the volume of high-rise and landed commercial property transactions in FT KL grew by 50.9% and 37.1% compared to 5.1% and 4.4% in 2021 respectively. The improvement in the volume of high-rise and landed commercial property transactions in FT KL in 2022 was mainly attributed to the gradual recovery from the COVID-19 pandemic, mainly supported by the normalisation of economic activity as Malaysia move towards endemicity. In Q1 2023, the volume of high-rise commercial property transactions in FT KL grew by 14.8%, while landed commercial property transactions declined by 33.7%, compared to Q1 2022 (Source: NAPIC).

2.4 Supply Conditions

- The supply of residential and commercial properties will indicate the potential properties that are coming on-stream for sale in the future. As such, an increase in the supply of residential and commercial properties will add to the competitive pressure on property developers. This will also have an impact on the overall property overhang situation.
- In 2022, the future supply of high-rise residential properties in Malaysia declined by 9.2% while high-rise commercial properties declined by 6.1%. Similarly, in FT KL, the future supply of high-rise residential properties declined by 7.5% while high-rise commercial properties declined by 13.2%. In 2022, all high-rise residential future supply in FT KL was contributed by condominiums and apartments. Meanwhile, in 2022, serviced apartments accounted for 91.7% of the high-rise commercial future supply in FT KL, while SOHO, purpose-built offices, hotels and shopping complexes accounted for the remaining 8.3%.

Future Supply of High-rise Residential and Commercial Properties

	High-rise Residential Supply ⁽¹⁾ (units)			High-rise Commercial Supply ⁽²⁾ (units)		
	Incoming	Planned	Future ⁽³⁾	Incoming	Planned	Future ⁽³⁾
Malaysia						
2020	192,066	183,101	375,167	165,041	182,350	347,391
2021	172,070	181,387	353,457	193,495	178,578	372,073
2022	164,302	156,716	321,018	184,928	164,595	349,523
'21-'22	-4.5%	-13.6%	-9.2%	-4.4%	-7.8%	-6.1%
CAGR'20-'22	-7.5%	-7.5%	-7.5%	5.9%	-5.0%	0.3%
FT KL						
2020	52,975	58,820	111,795	55,974	75,678	131,652
2021	42,510	63,389	105,899	74,309	65,986	140,295
2022	41,142	56,832	97,974	69,241	52,526	121,767
'21-'22	-3.2%	-10.3%	-7.5%	-6.8%	-20.4%	-13.2%
CAGR'20-'22	-11.9%	-1.7%	-6.4%	11.2%	-16.7%	-3.8%

Notes: (1) Includes condominiums, apartments, flats and low-cost flats. (2) Includes shopping complexes, serviced apartments, SOHO, purpose-built offices and hotels. (3) Future supply = incoming supply + planned supply. (Source: NAPIC)

- In Q1 2023, the future supply of high-rise residential properties in Malaysia declined by 9.2%, while those of FT KL grew minimally by 0.3%, compared to Q1 2022. Meanwhile, based on the latest available statistics, the future supply of commercial properties (excluding shopping complexes and purpose-built offices) in Malaysia and FT KL declined by 5.3% and 13.2% respectively in Q1 2023 compared to Q1 2022. (Source: NAPIC)

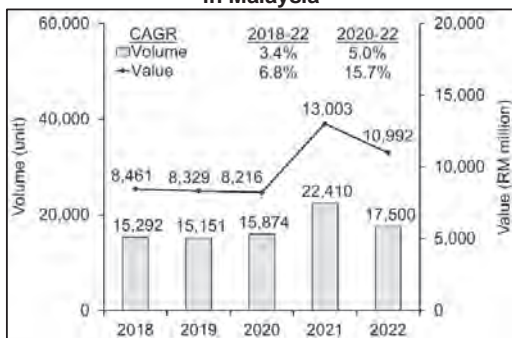
2.5 Property Overhang

- Overhang properties refer to completed and launched properties that remained unsold for more than nine months. In 2022, the volume of high-rise overhang residential properties in FT KL declined by 14.0% while new launches of high-rise residential units increased by 107.2%. As for the overhang of high-rise commercial properties in 2022, FT KL recorded an increase of 32.0% in volume compared to 10.2% in 2021. (Source: NAPIC)

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)



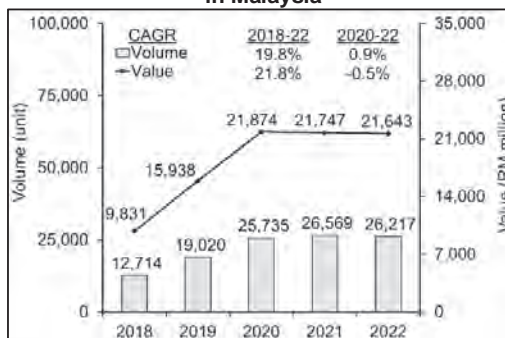
Overhang of High-rise Residential Properties* in Malaysia



No. of units launched	2018	2019	2020	2021	2022
	26,284	21,018	16,161	11,665	24,769

*Include condominiums, apartments, flats and low-cost flats. (Source: NAPIC)

Overhang of High-rise Commercial Properties* in Malaysia



*Include SOHO and serviced apartments. Note: Based on availability of statistics. (Source: NAPIC)

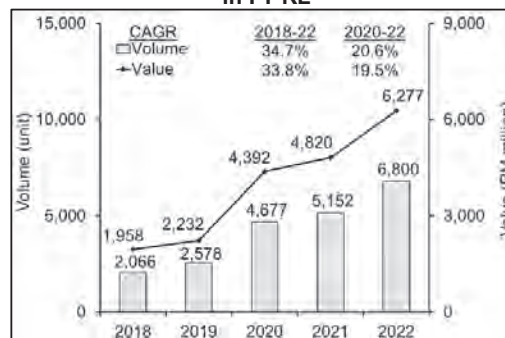
Overhang of High-rise Residential Properties* in FT KL



No. of units launched	2018	2019	2020	2021	2022
	9,665	8,799	8,446	4,983	10,324

*Include condominiums, apartments, flats and low-cost flats. (Source: NAPIC)

Overhang of High-rise Commercial Properties* in FT KL



*Include SOHO and serviced apartments. Note: Based on availability of statistics. (Source: NAPIC)

- In 2022, the high-rise residential property overhang in FT KL was entirely attributed to condominiums and apartments, of which the price segment of RM500,001 to RM1 million accounted for the largest portion at 53.4% in terms of volume. Meanwhile, in 2022, serviced apartments represented 88.4% of the total volume of high-rise commercial property overhang in FT KL, while the remaining 11.6% was for by SOHO. In 2022, serviced apartments priced between RM500,001 and RM1 million represented the largest proportion of total overhang serviced apartments in FT KL at 62.0%. (Source: NAPIC)
- In Q1 2023, the volume of high-rise overhang residential properties in FT KL grew by 3.3% compared to Q1 2022. As for the overhang of high-rise commercial properties in Q1 2023, FT KL recorded an increase of 33.2% in volume compared to 5.4% in Q1 2022. (Source: NAPIC)

2.6 Performance of the Property Development Industry in Selangor

- As part of SkyWorld Group's plans involved expanding their property development activities in Selangor, the following section assesses the overall performance of property development in Selangor. In 2022, the volume of residential and commercial property transactions in Selangor grew by 15.9% and 43.7% respectively, while the value of residential and commercial property transactions in Selangor grew by 15.4% and 46.7% respectively compared to 2021.

Property Transactions in Selangor

	2018	2019	2020	2021	2022	'21-'22	CAGR '18-'22	CAGR '20-'22
Residential								
Vol.(Units)	47,715	51,981	44,034	48,755	56,514	15.9%	4.3%	13.3%
Val.(RM mil)	22,983	25,432	21,722	26,491	30,578	15.4%	7.4%	18.6%

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

	2018	2019	2020	2021	2022	'21-'22	CAGR '18-'22	CAGR '20-'22
Commercial								
Vol.(Units)	5,431	6,394	4,779	6,021	8,654	43.7%	12.4%	34.6%
Val.(RM mil)	7,058	9,014	5,420	7,056	10,349	46.7%	10.0%	38.2%

Vol. = Volume; Val. = Value; *Including sales of new and sub-sale properties. (Source: NAPIC)

Volume of Residential and Commercial Property Transactions* in Selangor by Type

	2018		2019		2020		2021		2022		CAGR '18-'22	CAGR '20-'22
	Units	YoY%	Units	YoY%	Units	YoY%	Units	YoY%	Units	YoY%		
Residential	47,715	0.3	51,981	8.9	44,034	-15.3	48,755	10.7	56,514	15.9	4.3%	13.3%
HR ⁽¹⁾	16,126	-3.9	17,649	9.4	14,464	-18.0	14,975	3.5	17,614	17.6	2.2%	10.4%
Landed ⁽²⁾	27,469	-1.5	31,025	12.9	26,961	-13.1	30,617	13.6	35,692	16.6	6.8%	15.1%
Others ⁽³⁾	4,120	42.7	3,307	-19.7	2,609	-21.1	3,163	21.2	3,208	1.4	-6.1%	10.9%
Commercial	5,431	5.4	6,394	17.7	4,779	-25.3	6,021	26.0	8,654	43.7	12.4%	34.6%
HR ⁽⁴⁾	2,868	-0.4	3,542	23.5	2,723	-23.1	3,473	27.5	5,173	48.9	15.9%	37.8%
Landed ⁽⁵⁾	2,295	12.4	2,514	9.5	1,777	-29.3	2,135	20.1	3,207	50.2	8.7%	34.3%
Others ⁽⁶⁾	268	14.5	338	26.1	279	-17.5	413	48.0	274	-33.7	0.6%	-0.9%

*Including sales of new and sub-sale properties; HR=High-rise; YoY=Year-on-year growth. Notes: (1) Includes condominiums, apartments, flats and low-cost flats. (2) Includes single/2-3 storey terrace, single/2-3 storey semi-detached, detached, cluster, low-cost houses and townhouses. (3) Includes vacant plots and other types of residential properties such as kindergartens and hostel units. (4) Includes shopping complexes, shop units/retail lots, purpose-built offices, office lots, SOHO/ SOFO/ SOVO, hotels, leisure properties as well as serviced apartments. (5) Includes shops. (6) Includes vacant plots as well as other types of commercial properties such as fire stations and clubhouses. (Source: NAPIC)

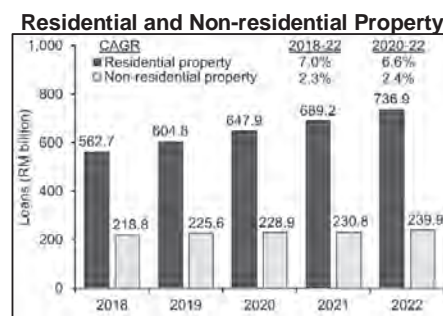
- In 2022, the volume of high-rise and landed residential property transactions in Selangor grew by 17.6% and 16.6% respectively. Meanwhile, the volume of high-rise and landed commercial property transactions in Selangor grew by 48.9% and 50.2% respectively compared to 2021.
- In Q1 2023, the volume and value of residential property transactions in Selangor declined by 9.9% and 12.8% respectively compared to Q1 2022 and this was partially attributed to weakening consumer sentiment. As for commercial property transactions in Q1 2023, there was a growth in volume by 8.6% mainly attributed to serviced apartments and shop units/retail lots, while the value declined by 21.5% mainly due to lower transactions of vacant plots and the absence of transactions for purpose-built offices, compared to Q1 2022. (Source: NAPIC)

3. DEMAND DEPENDENCIES**3.1 Population, Urbanisation and Cost of Living**

- Demand for residential and non-residential properties including commercial properties, particularly high-rise properties, ultimately depends on the overall population and the urbanisation rate of Malaysia and within the specific locality of the properties due to its impact on population density. SkyWorld Group's business focus is on high-rise developments in urban areas, thus high urbanisation and population density would drive demand for its high-rise properties. In 2022, the total population of Malaysia and FT KL is estimated at 32.7 million and 1.9 million respectively, compared to 32.4 million and 2.0 million in 2020. In 2020, being the latest available statistics, the urbanisation rate of Malaysia reached 75.1% compared to 70.9% in 2010, while FT KL is 100% urbanised. (Source: DOSM)
- The cost of living, which is affected by inflation also affects the demand for residential and non-residential properties. Inflation, as measured by the consumer price index (CPI), is the increase in prices of goods and services over time. A high CPI indicates that people have lower disposable income to service housing loans, which may dampen housing demand and impact property developers such as SkyWorld Group. In March 2023, CPI increased by 3.4% compared to March 2022 (Source: BNM).

3.2 Loans and Interest Rate

- The availability of loans affects the demand for high-rise and landed properties as a significant proportion of property prices is typically financed through loans. This factor also impacts SkyWorld Group. The availability of loans is



(Source: BNM)

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

dependent on factors such as liquidity in the market, financial institutions' internal lending policies, and the Government and BNM's policies and guidelines. Between 2020 and 2022, the loans for residential and non-residential properties increased by 6.6% and 2.4% respectively. As of March 2023, the loans for residential and non-residential properties grew by 6.8% and 4.1% respectively compared to March 2022 (*Source: BNM*). BNM increased the Overnight Policy Rate (OPR) to 3.00% on 3 May 2023. The higher OPR translates to higher borrowing costs, which may discourage or make it unaffordable for potential buyers to purchase properties.

4. PERFORMANCE OF THE RESIDENTIAL PROPERTY DEVELOPMENT INDUSTRY IN VIETNAM

- As part of SkyWorld Group's future strategies and plans involves expanding its high-rise residential property development operations to Vietnam, the following section provides an assessment of the residential property development industry in Vietnam. SkyWorld Group does not have any property development and has not identified any land for development in Vietnam.

Residential Property Transactions* - Apartments and Detached Houses in Vietnam

	2020	2021	2022	'21-'22	CAGR '20-'22
Apartments and detached houses (units)	115,420	111,640	154,756	38.6%	15.8%

**Including sales of new and sub-sale properties. Note: Statistics before 2020 are not available. (Source: Ministry of Construction (MOC) Vietnam)*

- At the end of Q1 2023, the total inventory of apartments in Vietnam was estimated at 2,572 units compared to 2,286 units in 2021. This was still lower compared to the inventory of apartments in 2020 of approximately 9,000 units. Meanwhile, the transaction volume of apartments and detached houses grew by 92.5% in Q1 2023 compared to Q1 2022 (*Source: MOC Vietnam*). The recovery in transaction volume of apartments and detached houses coupled with the limited supply of apartments may provide opportunities for operators in the property development industry.

4.1 Government Policies and Incentives

- The property market in Vietnam may also be affected by the availability of financing as a result of government policies. On 18 March 2022, the State Bank of Vietnam (SBV) promulgated an action plan detailing the tasks and measures relating to the banking sector's mandate and responsibilities, which included among others, the strict control of credit in potentially risky sectors. Additionally, the Official Dispatch No.311/CD-TTg dated 11 April 2022 required relevant agencies to correct and stabilise the operations of the corporate bond market through measures such as close monitoring and supervision. The credit restrictions, coupled with increased scrutiny of the corporate bond market may result in the narrowing of capital flow to the property development industry which relies largely on credit and corporate bonds. This may have an impact on the supply of housing in Vietnam. In December 2021, the Prime Minister signed Decision No. 2161/QD-TTg approving the national housing development strategy for the period of 2021 to 2030, with a vision toward 2045. Some of the targets outlined included reaching the average housing floor area per person of 27 square meters (m²) by 2025 and 30 m² by 2030 and increasing the share of permanent houses nationwide to the range of 85% to 90% by 2030.
- The Government of Vietnam had introduced policies and incentives to encourage the development of housing, especially social housing for low-income groups, industrial workers, officials and civil servants as well as students (*Source: The National Assembly of the Socialist Republic of Vietnam*). The policies and incentives include among others,
 - provision of interest rate subsidy of 2% per year up to the total limit of VND40,000 billion until the end of 2023 for businesses whose loans are used in the construction of social housing and housing for workers as well as renovation of old apartment buildings;
 - allocation of 20% of the total land area in commercial housing and urban area projects for social housing development, subject to the size of land and status of the city;
 - provision of preferential lending interest rate of 4.8% per annum by the Vietnam Bank for Social Policies for the purchase and renting of social housing as well as construction, renovation and repair of houses from 10 May 2023 to 31 December 2024;
 - approval of an investment project to construct at least one million units of social housing apartments for low-income earners and industrial workers between 2021 and 2030; and
 - provision of a credit package of approximately VND120,000 billion for developers and buyers of

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

social housing projects, including the renovation and refurbishment of old apartment buildings, from 1 April 2023 until 31 December 2030 or when the disbursement reaches its limit. This credit package will be subject to preferential lending interest rates, which are 1.5% to 2.0% lower than the average lending interest rates of the commercial banks in the market.

5. COMPETITIVE ANALYSIS**5.1 Industry Players**

- The following is a selection of companies that are involved in the property development of high-rise residential and/or commercial properties in FT KL, sorted in descending order of Group revenue. The list below is not exhaustive and serves to indicate the performance of a selection of companies that carry out property development activities similar to SkyWorld Group.

Company ⁽¹⁾	FYE ⁽²⁾	Rev ⁽³⁾ (RM mil)	Seg Rev ⁽⁴⁾ (RM mil)	GP ⁽³⁾ (RM mil)	NP ⁽³⁾ (RM mil)	GP Margin ⁽³⁾ (%)	NP Margin ⁽³⁾ (%)
Public listed companies⁽⁵⁾							
Sunway Bhd	Dec-22	5,194.9	1,165.3	1,241.2	753.1	23.9	14.5
S P Setia Bhd	Dec-22	4,454.4	4,240.6	1,065.3	363.6	23.9	8.2
IJM Corporation Bhd	Mar-22	4,409.0	1,273.7	762.1	885.2*	17.3	20.1*
Sime Darby Property Bhd	Dec-22	2,742.1	2,549.5	826.6	311.7	30.1	11.4
Mah Sing Group Bhd	Dec-22	2,317.2	1,840.0	512.9	186.8	22.1	8.1
Eco World Development Group Bhd	Oct-22	2,043.6	2,043.6	490.4	157.2	24.0	7.7
LBS Bina Group Bhd	Dec-22	1,723.9	1,654.1	483.8	137.5	28.1	8.0
UEM Sunrise Bhd	Dec-22	1,473.4	1,361.4	431.2	82.1	29.3	5.6
Tropicana Corporation Bhd	Dec-22	942.6	626.8	449.7	-410.6	47.7	-43.6
Matrix Concepts Holdings Bhd	Mar-22	892.4	861.7	490.4	200.9	55.0	22.5
Paramount Corporation Bhd	Dec-22	847.5	823.4	n.a.	75.1	n.a.	8.9
SkyWorld Group	Mar-22	790.4	790.4	249.6	104.3	31.6	13.2
Malton Bhd	Jun-22	645.2	367.1	174.2	75.8	27.0	11.7
KSL Holdings Bhd	Dec-22	575.0	453.6	306.1	179.5	53.2	31.2
Private companies⁽⁶⁾							
Perdana Parkcity S/B	Jun-22	696.2	n.a.	n.a.	105.8	n.a.	15.2
Radium Development Bhd	Dec-21	563.7	563.4	178.1	109.0	31.6	19.3
Paragrene Land Bhd	Dec-21	401.2	401.2	124.2	85.7	31.0	21.4
Binastra Land S/B	Dec-21	360.7	n.a.	112.8	52.2	31.3	14.5
BRDB Developments S/B	Dec-21	357.8	n.a.	n.a.	27.2	n.a.	7.6
Naza TTDI S/B	Dec-21	354.1	n.a.	164.2	85.0	46.4	24.0
Beverly Group S/B	Dec-21	169.3	n.a.	44.3	-15.7	26.2	-9.2
MH Platinum S/B	Dec-21	157.8	n.a.	57.5	36.1	36.4	22.9
Malaysia Land Properties S/B	Dec-21	155.6	n.a.	74.0	14.8	47.5	9.5
Ancubic Capital S/B	Dec-21	118.0	n.a.	46.0	28.4	39.0	24.1
CPI Land S/B	Dec-21	100.7	n.a.	19.0	-0.3	18.8	-0.3
EXSIM Development S/B ⁽⁷⁾	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.

*Includes net profit from discontinued operations; FYE= Financial Year Ended; Rev=Revenue; Seg=Segmental; GP=Gross Profit; NP=Net Profit; Bhd=Berhad; S/B=Sendirian Berhad; mil= million; n.a.= not available. **Notes:** (1) Include their subsidiaries, which may also be involved in property development activities in other states as well as other business activities. The above information was sourced from the Companies Commission of Malaysia (CCM), annual reports and Bursa Securities; (2) Latest available financial information; (3) Derived from property development activities and may also include other business activities; (4) Derived from property development activities including high-rise and landed properties as well as related services such as property management and property investment of retail and car parks; (5) With revenue exceeding RM500 million; (6) With revenue exceeding RM100 million; (7) This company is an exempt private company and as such, there is no publicly available financial information.

5.2 Market Size and Share**Market Size of the Property Development Industry and Market Share of SkyWorld Group**

	FT KL	SkyWorld Group	
	2021 Market Size ⁽¹⁾ (RM mil)	FYE 2022 Rev in FT KL ⁽²⁾ (RM mil)	2021 Market Share in FT KL
HR properties	11,096	790.4	7%
Residential⁽³⁾	4,501	545.5	12%
Non-residential⁽⁴⁾	6,595	244.9	4%

HR= High-rise; Rev=Revenue; mil=million. **Notes:** (1) Based on the value of property transactions (Source: NAPIC); (2) SkyWorld

8. INDEPENDENT MARKET RESEARCH REPORT (CONT'D)

Group's revenue for FYE 31 March 2022 was used as a proxy for the calendar year 2021; (3) Include condominiums, apartments, flats and low-cost flats; (4) Include SOHO/SOFO/SOVO, shopping complexes, shop units/retail lots, purpose-built offices, office lots, serviced apartments, hotels and leisure properties.

6. BARRIERS TO ENTRY

- Some of the barriers to entry for the property development industry include access to suitable land, adequate capital outlay and working capital. The property development industry normally operates within a free enterprise environment where supply, demand and pricing are mainly determined by market forces, except for government affordable housing and other similar programmes. Nevertheless, the industry is subject to regulations including the Housing Development Act, which requires property developers to hold an Advertising Permit and Developer's License (APDL) to carry out property development activities. As of September 2022, being the latest available statistics, there were 1,722 APDL holders, of which 265 of them were from FT KL (Source: Ministry of Housing and Local Government).

7. INDUSTRY CONSIDERATION FACTORS

- The property development industry is dependent upon, among others, continuing growth of Malaysia's economy, socio-economic factors such as interest rates, unemployment rates, lending policies for potential buyers and developers, income level as well as other local and global factors. BNM's decision to increase the OPR to 3.00% on 3 May 2023 may also impact the property development industry. In addition to the eight economic stimulus packages worth RM530 billion provided by the Malaysian government, a further RM332.1 billion has been allocated to drive the recovery of the economy as indicated in the Budget 2022. The real GDP of Malaysia grew by 8.7% in 2022 compared to 2021 and is projected to grow between 4.0% and 5.0% in 2023. In Q1 2023, the real GDP of Malaysia grew by 5.6% compared to Q1 2022. Meanwhile, the real GDP of the property development industry grew by 28.5% in 2022 and 1.9% in Q1 2023 compared to the corresponding periods in the prior years (Source: DOSM and BNM). The Malaysian Government has implemented various initiatives in the Budget 2022 which are designed to promote home ownership and these include waiver of real property gains tax for disposal of properties from the sixth year onwards, RM1.5 billion allocation for housing projects targeted towards low-income groups including the construction of affordable housing under the People's Housing Programme (PPR) and People's Friendly Home (RMR) programme, as well as the repair and maintenance of low-cost housing, and RM2.0 billion allocation of housing credit guarantee to assist those without a steady income to buy homes.
- As affordability of housing remains an issue in the residential property market, the Ministry of Federal Territories introduced affordable housing programmes including the Residensi Wilayah (formerly known as RUMAWIP) comprising affordable homes priced up to RM300,000 which has been implemented since 8 April 2013, as well as Residensi Prihatin comprising affordable homes priced up to RM200,000 which was launched on 22 February 2021. This will continue to provide opportunities for the property development industry. In 2022, the Ministry of Housing and Local Government introduced HOPE to increase homeownership among middle and lower-income groups. Under HOPE, i-Biaya was launched on 14 April 2022 to provide home financing facilities to the B40 and M40 groups through the Housing Credit Guarantee Scheme, My First Home Scheme and Rent-to-Own Scheme. Additionally, the i-MILIKI initiative which was introduced on 15 July 2022 involved the provision of a full stamp duty exemption for first-time homeowners of properties priced RM500,000 and below, and a 50% stamp duty exemption for properties priced above RM500,000 to RM1 million from 1 June 2022 to the end of 2023. Under the Budget 2023, the full stamp duty exemption for houses valued at RM500,000 and below has been extended until the end of 2025, while the stamp duty exemption rate for houses valued above RM500,000 to RM1 million was increased from 50% to 75%.
- Other measures that promote homeownership under the Budget 2023 include, among others, RM1.2 billion allocation for housing projects targeted towards low-income groups including the construction of affordable housing under the PPR and RMR programme, as well as RM5.0 billion allocation of housing credit guarantee to assist those without a steady income to buy homes. Since 1 April 2023, the housing credit guarantee scheme has been expanded to cover fixed-income earners. Nevertheless, the persistent overhang of high-rise residential properties in FT KL may dampen demand for similar new properties until such time the overhang situation improves.

9. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING KEY RISK FACTORS WHICH MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND THE FUTURE PERFORMANCE OF OUR GROUP, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN OUR COMPANY.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS**9.1.1 Our financial performance may be adversely affected by an unanticipated increase in development costs**

As an urban property developer, we are responsible for the entire development and would bear all the pre-acquisition and development costs incurred for every property development project we carry out which would include the following:

- (i) pre-acquisition costs which consist of land sourcing costs, cost incurred from feasibility studies and other related studies including environmental assessment, zoning and traffic studies; and
- (ii) development costs which consist of land and related costs, professional fees such as fees charged by architects, town planners, surveyors and engineers, costs associated with the preparation for submission of development planning and building plans, land preparation cost including demolition and utilities as well as construction costs comprising contractor fees and building materials, interior finishing works, inspection and certification works.

In the event of any unforeseen events not considered in the budgeted development cost, it may affect our overall development profitability.

In this respect, we are subject to the risk of unanticipated increases in the cost of development which could arise from among others, environment assessment cost, construction cost associated with contractor services, building materials and land cost. Furthermore, building materials such as steel and concrete materials are commodities where the prices are subject to supply and demand conditions. In the event of any adverse fluctuations in the prices of such materials which had not been taken into the budgeted development cost, it may affect our overall development profitability.

In addition, there are submissions and approvals that are required for property development including planning permission and building plan approvals for the commencement of developments, as well as advertising permits and developer's licence for the sale of properties. In the event of any unexpected delays in obtaining the said approvals, it may result in an increase in holding costs which may also affect our development profitability.

9.1.2 Our financial performance may be adversely affected by adverse land issues

As an urban property developer, we may be exposed to the risk of acquiring land with adverse topography, encumbrances or land that may not be feasible for development.

In the event we experience any unforeseen adverse land issues, it may result in the escalation in our development costs where we may be obligated to increase the selling price of our properties in order to achieve our desired returns. The increase in the price of our properties may reduce our competitiveness in the market or reduce the appeal or level of affordability to potential buyers. Any increases in our development costs may also adversely affect the overall profitability of our developments. Although we conduct preliminary assessment on the suitability of the land prior to acquiring them, in the event of any unforeseen adverse land issues such as adverse topography due to inaccurate soil conditions provided during the preliminary assessment that requires additional construction costs or encumbrances may affect our development cost and timing in launching the development. On 24 November 2021, our Subsidiary, SkySanctuary Development commenced an action in the High Court to evict the temple known as "Kuil Om Sri

9. RISK FACTORS (CONT'D)

Vall Muni" (the defendant is named in his capacity as the officer of the society operating the temple) from its development project land. Nonetheless, as the temple is built on the peripheral of our development project land and it will not have any material impact on our development. Please refer to Section 12.7.1 (a) of this Prospectus for further details.

There is another on-going litigation for us to recover an earnest deposit of RM1.54 million for the proposed purchase of 2 parcels of land pursuant to the term sheet dated 14 July 2022. We decided not to proceed with the said acquisition following the land valuation conducted. Please refer to Section 12.7.1 (i) of this Prospectus for further details on the said on-going developments.

For FYE 2020, there was a provision of doubtful debts amounting to RM5.13 million attributed to failure to recover a deposit paid to a third-party company in relation to a proposed joint acquisition of land in 2016 prior to the Financial Years Under Review. The provision of the doubtful debt was the result of inability to recover the said deposit subsequent to the closing of the legal proceeding for the above. There is no assurance that we would not experience any adverse financial impact relating to future land acquisition.

As at the LPD, we have a total of approximately 55.66 acres in our land bank for planned developments and future developments. In FYE 2020, there was a gross loss of RM10.59 million for the construction of the SkyArena Sports Complex which was associated with the Land Swap Agreement in 2014. For further details on gross loss for the construction of the SkyArena Sports Complex, please refer to Section 12.3.6 of this Prospectus. The land that was acquired through the Land Swap Agreement was partially used for the development of Ascenda Residences, Bennington Residences and SkyAwani III Residences which were launched in October 2014, January 2016 and February 2018 respectively. In addition, the remaining lands are being used for 2 on-going developments namely SkyAwani IV Residences and Curvo Residences and will be used for another new planned development. For further details of our planned development, please refer to Section 7.7.2 of this Prospectus.

9.1.3 We are dependent on contractors to perform the construction works for developments

We engaged contractors to carry out our construction works. In this respect, we are reliant on the performance of our contractors for timely delivery or in meeting our quality specifications. There is a risk associated with the health and safety practices performed by our contractors or the untimely completion of construction works which may either result in suspension of works or fines from the authorities or LAD claims against our Group due to the delays in completion of our development. Furthermore, in the event our contractors are unable to deliver up to the desired quality expectations, it may adversely affect our market reputation and sales of our properties.

In FYE 2018, we terminated the services of our contractor for Ascenda Residences due to disputes and differences in relation to the terms and conditions of PAM Contract 2006 (With Quantities) i.e. a general form of contract which may be used for a variety of projects by contractors. However, the progress of the development was not materially affected and was completed based on the scheduled timeline as the termination took effect when the project was almost completed. Although this legal dispute was subsequently settled with the contractor by way of a settlement agreement (further details of the agreement are set out in Section 15.5 of this Prospectus), there is no assurance that we will not face disputes with our contractors for other ongoing or future projects resulting in a termination of contract by either party. In the event we are unable to find a new contractor for replacement in a timely manner, we may face delays in completion of our development, thus, adversely affecting our market reputation and financial performance.

Since the commencement of our business and up to the LPD, we have not encountered any claims against our Group that are associated with the performance of our contractors. Nevertheless, there is no assurance that we would not encounter any adverse financial impact due to the poor performance, practices or untimely delivery from our contractors. Our dependency on third parties is mainly on contractors as we do not perform the construction works for our developments. Since the commencement of our business and up to the LPD, we have not

9. RISK FACTORS (CONT'D)

encountered any termination of contracts by the contractor. We are, to a lesser extent, also dependent on other third parties such as the architects, town planners, surveyors, engineers and other professionals for the development of our properties. While we may provide our input and requirement for the overall design, layout and architectural aspect of the development, we are dependent on the specialised skills and technical expertise of the third party professionals for the design as well as preparation of authority submission documents for our developments. In the event we face disputes with the third-party professionals which may result in a termination of contract by either party, we may face delays in the completion of our development as we may not be able to find suitable replacements in a timely manner. Delays in completion of our development will adversely affect our market reputation and financial performance. Although we have not experienced any delays in completion of our development due to the termination of third-party professionals since the commencement of our business, there is no assurance that we would not face any of such incidents in the future.

9.1.4 Our business operations and financial performance may be affected by a prolonged or resurgence of COVID-19 pandemic or emergency of other epidemics or pandemics

The outbreak of COVID-19 had affected our business operations. Between March 2020 and up to 2021, there were several MCO measures implemented including full and partial lockdown containment measures and restrictions imposed. Generally, our business was impacted due to the containment measures during the MCO period between 18 March 2020 and 4 May 2020 as well as various phases of the NRP which commenced on 1 June 2021, where our development site operations were either suspended or were operating below full capacity. The interruptions in business operations had adversely affected our development progress, execution and implementation as well as billing schedules of our developments including the following:

- (i) due to various containment measures implemented by the Government, our development sites were temporarily suspended between 18 March 2020 and 31 August 2020 as well as 1 June 2021 and 31 October 2021 depending on the project sites;
- (ii) during Q1 of FYE 2021 (April 2020 to June 2020), our revenue declined by 63.20% compared to the preceding quarter during MCO;
- (iii) overall, our revenue for FYE 2021 declined by 6.69% to RM488.80 million as compared to RM523.86 million in FYE 2020; and
- (iv) during Q2 of FYE 2022 (July 2021 to September 2021), our revenue declined by 21.29% compared to the preceding quarter during NRP. Upon the resumption of our physical sales and promotional activities and the resumption of construction activities at our various development sites, we made up for the time loss caused by the temporary suspension of works which resulted in an increase of 61.71% in our overall revenue for FYE 2022.

On 1 April 2022, Malaysia entered the 'Transition to Endemic' phase where all economic sectors were allowed to operate, and interstate and international travel were allowed, subject to adherence to the relevant SOP and guidelines. Notwithstanding the above, in the event of a prolonged COVID-19 pandemic or any other outbreaks of contagious or virulent diseases in the future, our business operations and financial performance would be materially and adversely affected. For further details on the interruptions to our business and operations due to the COVID-19 conditions, please refer to Section 7.14 of this Prospectus.

9.1.5 Our business operations are dependent on our executive officers and key senior management

Our business operations are dependent on the experience, knowledge and skills of our executive directors and officer, as well as key management for our urban property development business. Our founder and Non-Independent Executive Chairman, Datuk Seri Ng is responsible for the formulation of business strategies as well as the setting of the business directions of our Group.

9. RISK FACTORS (CONT'D)

He is supported by our Non-Independent Executive Director, Datuk Lam who is responsible for implementing business strategies and directing business development as well as our Non-Independent Executive Director and Chief Executive Officer, Lee Chee Seng who is responsible for overseeing and managing the day-to-day operations of our Group.

Our executive officers are supported by our key senior management team which includes Low Weng Cheong, (Head of Finance), Tan Lea Chin (Head of Sales) and Ng Hong Haw (Head of Business Venture). The loss of services from any of our executive officers and / or key senior management without any suitable and timely replacement may adversely affect our business operations and financial performance.

The profiles of our executive officers and key senior management team are set out in Sections 5.1.2 and 5.4.2 of this Prospectus.

9.1.6 We may be exposed to liquidity risk and interest rate risk that may result in financial distress if we fail to meet our financial and performance obligations

We may be exposed to liquidity risk that arises principally from our borrowings and timing of cost incurred and collections from the purchasers of our properties.

Our purchasers typically make a payment of 10% of the purchase consideration upon the signing of the SPA. During the development period, the remaining purchase consideration will only be paid progressively upon the issuance of progress billings where progress payments are claimed from purchasers according to the actual work completed. In this respect, our development operations are financed by internal and external sources of funds. Internal sources are derived from payments made by purchasers based on the progress billings issued while external sources are usually banking facilities from financial institutions. In the event that we are unable to generate sufficient cash flow during the development period, it may affect our ability to meet our financial obligations.

As at 31 December 2022, our total borrowings was RM452.55 million, mainly contributed by the higher drawdown of term loans, bridging loans and bank overdrafts to fund our developments, all of which were interest bearing based on floating interest rates. Our finance cost increased from RM15.65 million for FYE 2020 to RM18.51 million for the FYE 2021 and RM17.74 million for FYE 2022. In FPE 2023, our finance cost was RM11.47 million. The proportion of our finance cost against the total revenue was 2.99%, 3.79%, 2.24% and 1.86% for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. As at 31 December 2022, the interest rates of our bank borrowings range between 3.71% and 8.95% per annum. In this respect, any increases in interest rates may impact on our financial performance.

In addition, any significant increases in interest rates may result in an increase in our holding expenses during the development period as each development would typically take approximately 2 to 4 years to complete subject to the size of the development. Any significant increases in interest rates may adversely affect our cashflow in the event that we may require to drawdown additional banking facilities to fund our operational working capital for development due to the differences in the timing of funds received based on progress payments from purchasers of our properties.

Part of our plans also include debt financing by establishing a rated ICP and IMTN programme of RM300 million for a tenure of 7 years. The ICP and IMTN programme will be used to fund the business expansion including planned geographical expansion in Vietnam by 2023 and the planned developments in Malaysia between 2024 and 2026. Please refer to Section 7.23.2 for further details on the establishment of the ICP and IMTN programme. In this respect, we are committed to make periodic payments such as interests as well as redemption of ICP and IMTN as stipulated in the terms of our ICP and IMTN programme.

9. RISK FACTORS (CONT'D)

If we fail or encounter difficulties in meeting our financial obligations when they fall due, this will result in a financial distress condition which would affect our operations and financial performance. For the Financial Years Under Review, FPE 2023 and up to the LPD, we have not defaulted on any payments of either principal and / or interests in relation to our borrowings.

Our business and expansion plans are capital intensive, particularly on land acquisition which may cause us to generate negative operating cash flow when there is cash outlay for that purpose. During the Financial Years Under Review, we experienced a negative operating cash flow of RM69.83 million for the FYE 2020. This was mainly attributed to the payment of land and associated cost in relation to various land acquisition including SkySierra Land in Setiawangsa (RM32.56 million), SkyAwani 5 Land in Sentul (RM12.12 million), SkySanctuary Land (RM16.34 million) as well as a cost of RM21.63 million from the completion of the physical construction of a sports complex in FYE 2020 pertaining to the Land Swap Agreement. The CCC of the sports complex was subsequently obtained in December 2021. Please refer to Section 12.4.2 of this Prospectus for further details on our operating cash flow analysis.

There is no assurance that we would not experience any adverse liquidity conditions which may materially affect our result of operations and financial performance.

9.1.7 Our growth prospects may be limited if we are unable to effectively execute some of our business strategies and plans effectively

Our business strategies and plans are focused on leveraging on our strengths as an urban property developer with a view of expanding our business. Part of our strategies is to continue to focus on urban property development as follows:

- by replenishing our land bank with suitable land in Klang Valley including FT Kuala Lumpur and the state of Selangor;
- launching of 10 new planned developments within FT Kuala Lumpur;
- expand into development of build-to-rent properties; and
- geographical expansion to Vietnam.

Please refer to Section 7.7 of the Prospectus for further details on our business strategies and future plans.

The prospects and future growth of our business are dependent on our ability to implement and execute our strategies and plans effectively and promptly. There is a risk that we may not be able to achieve the timing and objectives of our business strategies and plans due to factors including, among others, the inability to secure sufficient funding and / or bank borrowings, limitations in human resources or experience, regulatory changes, and delays due to reintroduction of COVID-19 pandemic containment measures or other epidemics or pandemics in future.

We cannot provide any assurance that any of our business strategies and plans will be commercially successful or that we will be able to anticipate and mitigate the business and operational risks associated with our strategies and plans. In the event of any delays or failure in executing our business strategies or plans effectively, our future business growth or expected financial prospects or returns may be adversely affected.

9.1.8 We may achieve lower GDVs than estimated or budgeted

The overall GDV relating to our developments are estimated based on market conditions as at the date of valuation and certain assumptions. The assumptions include the prevailing market demand of properties, average selling prices, the number of units to be developed as well as obtaining the relevant planning permissions and approvals such as building plan approvals as well as advertising permit and developer's licence.

9. RISK FACTORS (CONT'D)

There is no assurance that the estimated GDVs will reflect the actual sales achieved by any development as it is subject to the various assumptions as mentioned above. If we are unable to sell all the units developed as anticipated and / or we are unable to achieve the expected selling prices, this could affect our initial estimated or budgeted GDV which would adversely affect our business condition and financial performance.

9.1.9 Our property development projects may be subjected to LAD claims due to delays in delivery

As a property developer, we are subjected to agreed timelines for the handover of our properties to purchasers. In the event that we are unable to deliver our properties based on the timeframe as stipulated in our SPAs, we may be subject to LAD claims from our customers. Since the commencement of our business operations in 2014 up to the LPD, there were no material LAD payments to our customers. There was a LAD claim of approximately RM23,900 in respect of one unit of SkyLuxe On The Park Residences as the purchaser for such unit had a different interpretation of the timeframe for delivery of vacant possession pursuant to the SPA. The LAD claim by the purchaser was successful and the claim amount has been settled in FYE 2022. Meanwhile, there was a LAD claim in respect of one unit of SkyLuxe On The Park Residences which was unsuccessful. In addition, there is an on-going litigation arising from the same nature of dispute on the LAD claim for SkyLuxe On The Park Residences. Please refer to Section 12.7.1(c) of this Prospectus for further details on the said litigation.

Save for the 3 disputes on the LAD claims mentioned above, where 1 was successful, 1 was unsuccessful and the other is still on-going, we did not have any other disputes on LAD claims (either successful or unsuccessful claims) for our developments since the commencement of our business.

In the event of any delays in construction works in the future, this may affect the timely completion of our development and delivery of vacant possession and we will have back-to-back arrangement on the LAD claim from the contractor. However, any difference in LAD claims between purchasers and contractors will be borne by us, hence, adversely affect our financial performance.

Nevertheless, we cannot provide any assurance that there will not be any delays in the handover of our on-going or future property development projects to our purchasers. In the event of any delays in the handover, we are subject to LAD claims from our purchasers which may adversely affect our financial performance.

9.1.10 We are subject to the risks of defect liability claims from our customers

We provide a defect liability period of 12 to 24 months from the official handover date of our completed properties. In the event of any unexpected defects that may occur during the defect liability period, we will incur rectification expenses for repairs and make good all identified defects. In this respect, any material rectification costs incurred and/or claims would adversely affect our financial conditions and performance. We have back-to-back arrangement with our third-party contractors where they are responsible for such rectification of the defects during the defect liability period. In the event we fail to make claims against the contractors for the rectification expenses for repairs and to make good all identified defects, this would affect our financial performance. There were no defect liability claims for the Financial Years Under Review, FPE 2023 and up to the LPD.

While we continually endeavour to maintain the quality of our developments, there is no assurance that we would not experience any defect liability claims in the future that may adversely affect our financial performance.

9. RISK FACTORS (CONT'D)

9.1.11 We are subject to the risks of insurance claims against our assets, employees and development projects

We are exposed to operational risks which include physical damages to our properties and operational facilities. As part of our operational practice, we have maintained certain insurance policies including, among others;

- (i) fire insurance in respect of our properties with a total sum insured of up to approximately RM254.33 million;
- (ii) burglary in respect of our properties with a total sum insured of up to approximately RM2.61 million;
- (iii) public liability insurance with a total sum insured of up to approximately RM18.20 million;
- (iv) group personal accident insurance for our employees with a total sum insured of up to approximately RM125.10 million;
- (v) hospital & surgical group insurance with a total sum insured of up to approximately RM7.88 million; and
- (vi) money insurance with a total sum insured of up to approximately RM0.41 million.

While we have insurance coverage for various aspects of our business, there is no assurance that it is sufficient to cover all losses, damages or liabilities that we may suffer in the course of our business operations. Any losses or damages in excess of our insured sum or in areas for which we are not insured at all could have an adverse effect on our business operations, financial performance and results of operations. For the Financial Years Under Review, FPE 2023 and up to the LPD, there has been no material insurance claims against us.

9.1.12 Our financial performance and operations may be affected by material litigation, claims, arbitration or penalties imposed by regulatory authorities

Save as disclosed in Section 12.7.1 of this Prospectus, we are not engaged in any other material litigation or arbitration proceedings which may have material effects on our business and financial performance, and our Directors confirm that there are no proceedings or any fact that are likely to give rise to any proceedings. However, there can be no assurance that there will not be any other proceedings in the future that could adversely affect our results of operations and financial performance.

In addition, our Group has in the past been a party to litigation and arbitration proceedings which have been subsequently settled or concluded. In FYE 2020, there was a provision of doubtful debts amounting to RM5.13 million which were attributed to our Group's failure to recover an advance fee paid to a third party in relation to an agreement entered into in 2016 whereby our Subsidiary, Desa Iimbangan appointed a third party as an advisor to obtain a privatisation project. As the privatisation project was not successfully obtained, therefore Desa Iimbangan sought to recover the advance fee paid. A consent order was then entered into resulting in the settlement of the case. There can be no assurance that there will not be any other proceedings in relation to doubtful debt that could adversely affect our financial performance and operations in the future.

In FYE 2018, we terminated the services of our contractor for Ascenda Residences and the contractor for Ascenda Residences initiated adjudication proceedings against our Company for disputes in relation to the agreement and conditions of the PAM Contract 2006 (With Quantities), i.e. a general form of contract which may be used for a variety of projects by contractors which was subsequently settled by way of a settlement agreement. Pursuant to the settlement agreement, it was agreed that the payment of a total sum of RM13.56 million (which is not material to our Group) shall be made by our Group to the said contractor as full and final settlement. Our Group has made all payments required pursuant to the settlement agreement.

9. RISK FACTORS (CONT'D)

The payment was made in the following mode and manner (i) RM6.89 million was paid in three equal instalments and (ii) RM6.67 million was paid by way of contra payment. The instalments and contra payment were settled on 4 February 2021 and 30 June 2020 respectively. Further details of the agreement are set out in Section 15.5 of this Prospectus.

Between FYE 2015 and FYE 2022, there were tax penalties amounting to a total of RM5.68 million that were imposed by relevant authorities on our Group mainly due to (i) late payment of income tax and tax instalment amounting to RM22.02 million, (ii) additional tax payable pursuant to underestimation of tax amounting to RM27.05 million, (iii) additional tax payable pursuant to incorrect tax treatment in respect of timing for recognition of income from the joint venture developments and sales of completed units amounting to RM2.54 million and (iv) additional tax payable pursuant to voluntary tax revision for an understatement of tax amounting to RM2.85 million. Further details of the tax penalties are disclosed in Section 7.23.1 of this Prospectus. However, there can be no assurance that there will not be any material tax penalties imposed on our Group and / or additional tax payable that could adversely affect our financial performance and operations in the future.

9.1.13 We face the risk of trademark infringement and passing off by companies not related to our Group

By registering our trademark, our Group has grounds to take legal action against other persons using the same or similar mark or logo as that used by our Group. As at the LPD, we have obtained 21 trademark registrations in a number of countries, namely, Malaysia, Australia, Brunei, Cambodia, Indonesia, Laos, Singapore, Thailand, United Kingdom, Hong Kong, and Vietnam. Please refer to Section 7.20 of this Prospectus for information on our registered trademarks.

However, the "SkyWorld" name is currently used as part of the name of a number of companies in Malaysia which are not in any way related to our Group and our Promoters. These companies are involved in various sectors and in different business activities. Nonetheless, upon listing, our Group's information will be easily accessible on Bursa Securities' website. Should there be any uncertainty regarding the structure of the Group, such information can be found in this Prospectus or annual report of our Company on Bursa Securities' website.

As part of our due diligence for our Listing, a search on the records of Companies Commission Malaysia were conducted and thereafter, the business activities of 99 companies with the name "SkyWorld" were reviewed. It is noted from the records and results of searches through publicly available information, that none of the aforesaid active companies are involved in property development. As at the LPD, our Group is unaware of any such companies being involved in similar business as us. In the event we become aware of parties or companies with the name "SkyWorld" which are not related to our Group and are undertaking similar business activities as our Group, legal action may be commenced by our Group to prohibit such parties from passing off and where relevant, from infringing our Group's registered trademarks. To succeed in a case of 'passing off', our Group will have to prove that our "SkyWorld" brand name has acquired 'goodwill' and reputation in the marketplace, that the third party was misrepresenting their products as being connected to our Group and that we will suffer losses as a result.

In May 2018, we commenced a legal action against third parties for the infringement of trademark and passing off business, products and / or services. Our legal suit was unsuccessful as the court held that apart from an oral resemblance between the registered trademark of our Group and the third parties' corporate names in their business documents and website domain names, there was no real resemblance as the Federal Court held that visually they were different. In that regard, the third parties' corporate names in their business documents as well as their website domain name used the word "Skyworld" either wholly in uppercase or lowercase but not in mixed uppercase and lowercase as our Group. In addition, it was mentioned that there was no passing off by the third parties as the elements of confusion or deception were not established. This is because the third parties were not involved in similar business activities as our Group although they share a similar name as our Group.

9. RISK FACTORS (CONT'D)

Notwithstanding the outcome of the case, our Group did not suffer any material adverse impact on the business operations and financial performance. Further, as at the LPD we are not aware of any infringement by any third party of any of our Group's intellectual property rights which remains.

However, there is no assurance that we will not encounter passing off or trademark infringement by third parties in the future. Further, in the event we commence legal action there is no assurance that we will be successful in our action against such third parties and this in turn may result in our Group's business operations and financial performance being adversely affected.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 The performance of the property market may be adversely affected by the continuing increase in the property overhang conditions

Property overhang is commonly a result of a combination of factors including, among others, demand, supply, pricing, location, types of property, and economic and social factors such as GDP growth, employment conditions, availability of buyer financing and population growth within the areas of our properties. Property overhang also includes Bumiputera units where there are conditions tied to converting unsold Bumiputera units to be made available for sale to the general population such as advertisements of the said units in the local English and Malay newspaper, participating in the local council's advertisement activities as well as advertising the said property on existing websites by the property developer.

In 2022, the volume of high-rise overhang residential properties in FT Kuala Lumpur declined by 14.0% while new launches of high-rise residential units increased by 107.2%. As for the overhang of high-rise commercial properties in 2022, FT Kuala Lumpur recorded an increase of 32.0% in volume compared to 10.2% in 2021. In Q1 2023, the volume of high-rise overhang residential properties in FT Kuala Lumpur grew by 3.3% compared to Q1 2022. As for the overhang of high-rise commercial properties in Q1 2023, FT Kuala Lumpur recorded an increase of 33.2% in volume compared to 5.4% in Q1 2022.

In 2022, the high-rise residential property overhang in FT Kuala Lumpur was entirely attributed to condominiums and apartments, of which the price segment of 500,001 to RM1 million accounted for the largest proportion of high-rise overhang units at 53.4% in terms of volume. Meanwhile, in 2022, serviced apartments represented 88.4% of the total volume of high-rise commercial property overhang in FT Kuala Lumpur, while the remainder of 11.6% was accounted for by SOHO. In 2022, serviced apartments priced between RM500,001 and RM1 million represented the largest proportion of the total overhang serviced apartments in FT Kuala Lumpur at 62.0%. (Source: IMR Report)

There is a risk that the continuing increase in the property overhang conditions may impact on the sales of our properties which could negatively impact on our business and financial performances.

9.2.2 Exposure to the inherent risk of the property development industry

We are exposed to inherent risks in the property development industry such as changes in economic, social, political and regulatory environment in Malaysia and Vietnam. Operational risks also include incremental cost relating to the land for development, availability of labour and increase in cost of materials, equipment, contracting services, as well as financing and overhead costs. Other business risks include demand for our properties, impact of competition from sales of new properties and resale of existing properties, as well as excess supply and overhang conditions. While we seek to minimise these risks through prudent management of our business, these risks may eventuate and may adversely affect our business conditions and financial performance.

9. RISK FACTORS (CONT'D)

9.2.3 We are subject to economic, social, political and regulatory risks in Malaysia and Vietnam

Any adverse changes in the political, economic and regulatory conditions in Malaysia and Vietnam could have a negative impact on our business operations and financial performance. We are also susceptible to the risk of local epidemics or pandemics where we may face business interruptions including, among others, temporary suspension of our development activities including on-site construction activities as well as sales and promotional activities. Please refer to Section 7.14 of this Prospectus for further details on the impact of the COVID-19 pandemic.

Changes in the political, social, economic, fiscal and regulatory conditions could arise from, among others, changes in political leadership, risks of war or civil unrest, changes in import tariffs and related duties, and conditions governing licensing, registrations and permits as well as sales of properties. Similarly, any local, regional or global economic downturn would also affect overall business conditions, consumer confidence, as well as investments, which would subsequently affect the demand for our properties and services. As such, there can be no assurance that any adverse political, social, economic, fiscal and regulatory developments or outbreak of diseases which are beyond our control, will not materially affect our business operations and financial performance.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES**9.3.1 No prior market for our Shares and it is uncertain whether an active or sustainable market will ever develop**

Prior to our IPO, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or if developed, that such a market will be sustainable. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

We and our Promoters have no obligation to cause our Shares to be marketable. The IPO Price was determined after taking into consideration various factors and these factors could cause the price of our Share to fluctuate which may adversely affect the market price of our Shares.

There can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the Main Market upon our Listing and that the market price of our Shares will not decline below the IPO Price.

9.3.2 Capital market risks and share price volatility

The performance of capital market is very much dependent on external factors such as the performance of the regional and global stock market and the inflow or outflow of foreign funds. Sentiment is also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes in capital market, thus adding risks to the market price of our listed Shares. Nevertheless, the profitability of our Group is not dependent on the performance of the capital market as the business activities of our Group have no direct correlation with the performance of securities listed in the capital market.

Our Shares could trade at prices lower than the IPO Price depending on various factors, including current economic, financial and fiscal condition in Malaysia, our operations and financial results and the price volatility in the markets for securities in similar or related industry in Malaysia or emerging markets. There is no assurance that any market for our Shares will not be disrupted by price volatility or other factors, which may have a material adverse effect on the market price of our Shares.

9. RISK FACTORS (CONT'D)

In addition, the market price of our Shares may be highly volatile and could fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:

- (i) variation in our results and operations;
- (ii) success or failure in our management team in implementing business and growth strategies;
- (iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other events and factors;
- (v) additions or departures of our key senior management personnel;
- (vi) fluctuations in stock market prices and volumes; or
- (vii) involvement in litigation.

In addition, many of the risks described herein could materially and adversely affect the market price of our Shares. Furthermore, if the trading volume of our Shares is low, price fluctuation may be exacerbated. Accordingly, there can be no assurance that our Shares will not trade lower than the IPO Price.

9.3.3 Dilution in percentage of shareholdings and NA per Share as a result of the conversion of ICPS

Upon completion of our IPO, our Company's enlarged issued share capital of RM242,904,826 comprising 1,000,000,000 Shares will be listed on the Main Market, after adjusting the estimated listing expenses of approximately RM5,995,174 and prior to conversion of ICPS. Upon full conversion of the ICPS which will be issued pursuant to the Bonus Issue of ICPS, the salient terms of which are set out in Section 6.5.1(b) of this Prospectus, our Company's entire enlarged issued share capital will be RM392,904,826 comprising 1,187,500,000 Shares.

Accordingly, there will be a dilution in percentage of shareholdings and NA per Share after our IPO and after conversion of the ICPS, the effects of which are further illustrated in Section 4.7 of this Prospectus assuming full conversion of the ICPS.

9.3.4 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after our IPO

As disclosed in Section 5.1.1 of this Prospectus, our Promoters will collectively hold in aggregate 60.00% and 66.31% of our enlarged issued share capital after our IPO and after assuming full conversion of the ICPS, respectively. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and / or by the relevant guidelines or regulations.

As a step towards good corporate governance, the appointment of Independent Non-Executive Directors and our Audit & Risk Management Committee will serve as an effective mechanism to promote good corporate governance to ensure future transactions of our Group, including related party transactions, if any, are entered into at arms' length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to our minority shareholders. Our Audit & Risk Management Committee will in that sense represent the interest of the minority shareholders and general public at large.

9. RISK FACTORS (CONT'D)

However, there can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders.

9.3.5 The sale or the possible sale of a substantial number of Shares in the public market following our IPO and Listing could adversely affect the price of our Shares

Following the completion of the Pre-IPO Exercise, our IPO and Listing, assuming full subscription of the Pink Form Shares reserved for our eligible Directors, approximately 40.00% of our enlarged issued share capital will be publicly held by investors participating in our IPO, while approximately 60.00% of our enlarged issued share capital, will be held by our Promoters.

It is possible that our Promoters may dispose of some or all of their Shares after their respective moratorium period, pursuant to their own investment objectives. If our Promoters sell, or are perceived as intending to sell, a substantial amount of our Shares, the market price of our Shares could be adversely affected.

9.3.6 Delay in or cancellation of our Listing

The occurrence of certain events, including the following, may cause a delay in or termination of our Listing:

- (i) our Underwriter exercising their rights pursuant to the Underwriting Agreement, or the Placement Agent's exercise of its rights under the Placement Agreement, to discharge themselves from its obligations under such agreements;
- (ii) our inability to meet the minimum public spread requirement under the Listing Requirements of having at least 25.0% of our enlarged number of issued Shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 Shares each at the point of our Listing; or
- (iii) the revocation of the approvals from the relevant authorities prior to our Listing for whatever reason.

Where prior to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled, and we and our Offerors shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (ii) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest within 14 days.

Where subsequent to the issuance and allotment of our IPO Shares:

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

9. RISK FACTORS (CONT'D)

- (ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules to the extent that our IPO Shares form part of our share capital. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either:
 - (a) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - (b) a solvency statement from our Directors.

9.3.7 Payment of dividends

Our ability to declare dividends to our shareholders will depend on, amongst others, our future financial performance, distributable reserves and cash flows. This, in turn, is dependent on our operating results, capital requirements and on our ability to implement our future plans, demand for and selling prices of our products, general economic conditions, and other factors specific to our industry, many of which are beyond our control. As such, there is no assurance that we will be able to pay dividends to our shareholders.

We are a holding company and conduct substantially all of our operations through our Subsidiaries. Accordingly, dividends and other distributions received from our Subsidiaries are our principal source of income. The receipt of dividends from our Subsidiaries may also be affected by the passage of new laws, adoption of new regulations and other events outside our control, and our Subsidiaries may not continue to meet the applicable legal and regulatory requirements for the payment of dividends in the future. In addition, changes in accounting standards may also affect the ability of our Subsidiaries, and consequently, our ability to pay dividends.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditure as well as our ability to make interest and principal repayments on any borrowings that we may have outstanding at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all. Further, if we incur new borrowings subsequent to our Listing, we may be subject to additional covenants restricting our ability to pay dividends.

Dividend payments are not guaranteed and our Board may decide, at its sole and absolute discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends, or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

Further details of our dividend policy are set out in Section 12.15 of this Prospectus.

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10. RELATED PARTY TRANSACTIONS

10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

10.1.1 Related party transactions

Save as disclosed below, there are no other related party transactions entered into by our Group which involves the interest, direct or indirect, of our Directors, substantial shareholders and / or persons connected with them for the Financial Years Under Review, FPE 2023 and up to the LPD:

(i) Between SkyWorld Development and the transacting parties

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 January 2023 and the LPD
			FYE 2020	FYE 2021	FYE 2022	FPE 2023	
			(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
ICT Zone Sdn Bhd ("ICT Zone")	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. He is also the director and indirect shareholder of ICT Zone.	(i) Rental of office building from ICT Zone ⁽¹⁾ This transaction is recurrent in nature and will subsist after our Listing.	447 (0.67% of our Group's expenses*)	478 (0.77% of our Group's expenses*)	485 (0.57% of our Group's expenses*)	468 (0.77% of our Group's expenses*)	248 (1.00% of our Group's expenses*)
		(ii) Rental of office equipment from ICT Zone ⁽²⁾ This transaction is recurrent in nature and will subsist after our Listing.	-	30 (0.05% of our Group's expenses*)	72 (0.08% of our Group's expenses*)	83 (0.14% of our Group's expenses*)	60 (0.24% of our Group's expenses*)
ICT Zone Ventures Berhad ("ICT Ventures")	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. He is also the director and indirect shareholder of ICT Ventures.	Rental of office building from ICT Ventures ⁽³⁾	-	-	-	9 (0.01% of our Group's expenses*)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 January 2023 and the LPD
			FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
SKL Equity Sdn Bhd ("SKL")	Datuk Lam is our Promoter, substantial shareholder and Non-Independent Executive Director. He is also the director and major shareholder of SKL.	Rental of motor vehicle from SKL for Datuk Lam's usage as part of his employment benefit ⁽⁴⁾	194 (0.29% of our Group's expenses*)	150 (0.24% of our Group's expenses*)	80 (0.09% of our Group's expenses*)	-	-
RISCO Consulting Sdn Bhd ("RISCO")	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. He is also the director and indirect shareholder of RISCO.	Payment to RISCO for insurance brokerage and related services ⁽⁵⁾ This transaction is recurrent in nature and will subsist after our Listing.	371 (0.56% of our Group's expenses*)	461 (0.74% of our Group's expenses*)	469 (0.55% of our Group's expenses*)	82 (0.13% of our Group's expenses*)	53 (0.21% of our Group's expenses*)
Datuk Seri Ng	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman.	Repayment of advances to Datuk Seri Ng ⁽⁶⁾	9,839 (3.31% of our Group's NA)	430 (0.12% of our Group's NA)	3,311 (0.71% of our Group's NA)	-	-
Datuk Lam	Datuk Lam is our Promoter, substantial shareholder and Non-Independent Executive Director.	Repayment of advances to Datuk Lam ⁽⁶⁾	9,839 (3.31% of our Group's NA)	430 (0.12% of our Group's NA)	3,311 (0.71% of our Group's NA)	-	-

Notes:

* Refers to our Group's selling and marketing expenses and administrative expenses, collectively.

(1) SkyWorld Development entered into 8 tenancy agreements between September 2014 to June 2017 with ICT Zone for the rental of office space located at Block B, Wisma NTP World, Excella Business Park, Jalan Ampang Putra, 55100 Ampang, Kuala Lumpur (see further details below). By way of letters of extension dated 12 May 2023, SkyWorld Development has renewed all the tenancies for a period of two years commencing from 1 June 2023 to 31 May 2025. The monthly rental rates are between RM2.23 to RM2.88 psf. Based on comparable properties, the range of monthly market rental rates are between RM2.63 psf

10. RELATED PARTY TRANSACTIONS (CONT'D)

to RM2.87 psf. As such, the monthly rental rates paid / payable by SkyWorld Development to ICT Zone ranging between RM2.23 to 2.88 psf are considered to be at arms' length. In addition, SkyWorld Development may terminate the tenancy at any time by giving 6 months prior written notice to ICT Zone.

Date of tenancy agreement	Property	Built-up area (sq ft)	Monthly rental (RM)	Monthly rental psf (RM)	Rental payable per annum (RM)
1 January 2016	Ground floor	2,280	6,156.00	2.70	73,872
1 September 2014	Level 1	2,000	5,000.00	2.50	60,000
1 September 2014	Level 2	2,000	5,000.00	2.50	60,000
1 February 2016	Level 3	2,000	5,000.00	2.50	60,000
1 June 2017	Level 4	1,739	5,000.00	2.88	60,000
1 November 2015	Level 5	2,240	5,000.00	2.23	60,000
1 September 2014	Level 7	2,000	5,000.00	2.50	60,000
1 November 2014	Level 8	1,700	4,250.00	2.50	51,000

- (2) SkyWorld Development entered into a master lease agreement dated 13 January 2020 with ICT Zone for the rental of office equipment, in particular, laptops. The master lease agreement was entered into as part of our Group's internal scheme to replace / refresh obsolete computer equipment by leasing instead of outright purchase which helps our Group in spreading the cost over the lease term and to mitigate the large upfront costs of purchasing the equipment. Pursuant to the master lease agreement, the lease period of the office equipment will be 4 years commencing from the date of issuance of each purchase order by SkyWorld Development. The lease amount are negotiated and determined prior to issuance of each purchase order. As at the LPD, the monthly rental rate per unit is RM140.00. Based on quotations obtained from 2 other international equipment leasing companies (with their respective headquarters based in Japan and the United States of America) for rental of similar office equipment, the range of monthly rental rates per unit are between RM140.14 to RM144.00. As such, the monthly rental rate per unit paid / payable by SkyWorld Development to ICT Zone of RM140.00 is considered to be at arms' length. In addition, SkyWorld Development may terminate the rental at any time.
- (3) SkyWorld Development is the subtenant of the sky lounge at Block C, Wisma NTP World, Excella Business Park, Jalan Ampang Putra, 55100 Ampang, Kuala Lumpur of ICT Ventures (the master tenant) for a period of 1.5 month commencing from 1 July 2022 to 15 August 2022 for purposes of internal meetings and discussion. The monthly rental rate is RM6,000.00. Based on the previous rental charged to our Group by the landlord (a non-related party) for the tenancy of the same unit, the monthly market rental rate was RM2.63 psf. As such, the monthly rental rate paid / payable by SkyWorld Development to ICT Ventures of RM2.87 psf is considered to be at arms' length after taking into consideration the psf and monthly rental difference between the rental charged to our Group and the market rate (i.e. RM0.24 and RM500.00) which is not material to our Group, and the commercial consideration of the rental rate charged which varies slightly based on the period of the tenancy. In this case, the tenancy between our Group and ICT Zone Ventures Berhad was entered on an ad-hoc basis and for a short-term period of 1.5 months as compared to the period of tenancy of 1 year with the previous landlord.
- (4) The monthly rental payable of RM8,877.00 by SkyWorld Development to SKL is based on a pre-determined formula stated in our employees' privilege scheme and the amount paid is comparable based on third party quotations (ranging between RM8,500.00 and RM8,800.00). As such, the monthly rental rates paid by SkyWorld Development to SKL is considered to be at arms' length. The motor vehicle arrangement with SKL has been terminated and from 1 January 2022, our Group pays the car benefit directly to Datuk Lam. This benefit is only available to our Executive Directors / Chairman and Chief Executive Officer as per their contractual terms respectively, as well as to our other chief officers (if any) and general managers of our Group, who are entitled to 2% of the car value (not exceeding 8-10 times of their basic salary).

10. RELATED PARTY TRANSACTIONS (CONT'D)

- (5) SkyWorld Development engaged RISCO for insurance brokerage and related services which include insurance placement, general advice and consultancy as well as claims handling services. The insurance coverage maintained by SkyWorld Development consist of, amongst others, fire, burglary, public liability, group personal accident, money, and all risks insurance policy, which are expiring in June 2023 and December 2023. The premium paid to RISCO by SkyWorld Development is considered to be at arms' length as the premium charged is at a rate which is comparable to quotations obtained from 2 other insurance providers namely, AXA Affin General Insurance Berhad and Zurich General Insurance Malaysia Berhad, for similar insurance policies. Further, RISCO charges similar rates to its customers as compared to our Group.
- (6) The interest-free advances were made by SkyWorld Properties, a partnership set up by Datuk Seri Ng, Datuk Lam and Lim Kok Kwang in January 2015, to SkyWorld Development for working capital purposes. The partnership subsequently expired in January 2018 and was not renewed. As such, the repayment of the advances was made to Datuk Seri Ng, Datuk Lam and Lim Kok Kwang in equal proportion. As at the LPD, there are no advances owing by our Group to SkyWorld Properties which are payable to the abovementioned individuals.

(ii) Between Bennington Development and the transacting party

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 January 2023 and the LPD
			FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
RISCO	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. He is also the director and indirect shareholder of RISCO.	Payment to RISCO for insurance brokerage and related services ⁽¹⁾	25 (0.04% of our Group's expenses*)	-	-	-	-

Notes:

* Refers to our Group's selling and marketing expenses and administrative expenses, collectively.

- (1) Bennington Development engaged RISCO for insurance brokerage and related services which include insurance placement, general advice and consultancy as well as claims handling services. The insurance coverage maintained by Bennington Development consist of fire, burglary and public liability insurance policy, all of which have expired in June 2020. The premium paid to RISCO by Bennington Development is considered to be at arms' length as the premium charged is at a rate which is comparable to quotations obtained from 2 other insurance providers for similar insurance policies. Further, RISCO charges similar rates to its customers as compared to our Group.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(iii) Between SkyAwani 2 Development and the transacting party

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 January 2023 and the LPD (RM'000)
			FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
RISCO	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. He is also the director and indirect shareholder of RISCO.	Payment to RISCO for insurance brokerage and related services ⁽¹⁾ This transaction is recurrent in nature and will subsist after our Listing.	19 (0.03% of our Group's expenses*)	2 (<0.01% of our Group's expenses*)	2 (<0.01% of our Group's expenses*)	-	-

Notes:

* Refers to our Group's selling and marketing expenses and administrative expenses, collectively.

(1) SkyAwani 2 Development engaged RISCO for insurance brokerage and related services which include insurance placement, general advice and consultancy as well as claims handling services. The insurance coverage maintained by SkyAwani 2 Development consist of, amongst others, fire, burglary, public liability, group personal accident, money, office bearer's liability and all risks insurance policy. Save for the special all risk insurance in respect of one (1) unit of boom gate system and the public liability insurance for purposes of the car parks at SkyAwani II Residences (operated by SkyAwani 2 Development) which are expiring in March 2024, all the insurance policies have expired in January 2023 and will not be renewed by our Group as SkyAwani II Residences is presently managed by the Joint Management Body. The premium paid to RISCO by SkyAwani 2 Development is considered to be at arms' length as the premium charged is at a rate which is comparable to quotations obtained from 2 other insurance providers for similar insurance policies. Further, RISCO charges similar rates to its customers as compared to our Group.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(iv) Between SkyLuxe Development and the transacting party

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 January 2023 and the LPD
			FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
RISCO	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. He is also the director and indirect shareholder of RISCO.	Payment to RISCO for insurance brokerage and related services ⁽¹⁾	20 (0.03% of our Group's expenses*)	-	-	-	-

Notes:

* Refers to our Group's selling and marketing expenses and administrative expenses, collectively.

(1) SkyLuxe Development engaged RISCO for insurance brokerage and related services which include insurance placement, general advice and consultancy as well as claims handling services. The insurance coverage maintained by SkyLuxe Development consist of amongst others, fire, special all risks, burglary, money, group personal accident, public liability and employer's liability insurance policy, all of which have expired in January 2021. The premium paid to RISCO by SkyLuxe Development is considered to be at arms' length as the premium charged is at a rate which is comparable to quotations obtained from 2 other insurance providers for similar insurance policies. Further, RISCO charges similar rates to its customers as compared to our Group.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(v) Between SkyMeridien Development and the transacting parties

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 January 2023 and the LPD
			FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
RISCO	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. He is also the director and indirect shareholder of RISCO.	Payment to RISCO for insurance brokerage and related services ⁽¹⁾ This transaction is recurrent in nature and will subsist after our Listing.	-	18 (0.03% of our Group's expenses*)	-	9 (0.02% of our Group's expenses*)	9 (0.04% of our Group's expenses*)
Datin Seri Tan Lay Kiaw	Datin Seri Tan Lay Kiaw is the spouse of Datuk Seri Ng who is our Promoter, substantial shareholder and Non-Independent Executive Chairman.	Sale of 1 serviced apartment unit in SkyMeridien to Datin Seri Tan Lay Kiaw ⁽²⁾	-	391 (0.08% of our Group's revenue)	-	-	-
Datin Wong Kwai Fun	Datin Wong Kwai Fun is the spouse of Datuk Lam who is our Promoter, substantial shareholder and Non-Independent Executive Director.	Sale of 1 serviced apartment unit in SkyMeridien to Datin Wong Kwai Fun ⁽²⁾	-	378 (0.08% of our Group's revenue)	-	-	-

Notes:

* Refers to our Group's selling and marketing expenses and administrative expenses, collectively.

(1) SkyMeridien Development engaged RISCO for insurance brokerage and related services which include insurance placement, general advice and consultancy as well as claims handling services. The insurance coverage maintained by SkyMeridien Development consist of, amongst others, fire, burglary, public liability, group personal accident, money, office bearer's liability and all risks insurance policy, all of which are expiring in March 2024. The premium paid to RISCO by SkyMeridien Development is considered to be at arms' length as the premium charged is at a rate which is comparable to quotations obtained from 2 other insurance providers for similar insurance policies. Further, RISCO charges similar rates to its customers as compared to our Group.

(2) The transaction value for the sale of serviced apartment unit is not at arms' length as it is at a discounted price. The discount is pursuant to our employees' privilege scheme which is applicable to our eligible employees and their immediate family members such as parents, spouse and siblings.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(vi) Between SkySanctuary Development and the transacting party

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 January 2023 and the LPD
			FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
RISCO	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. He is also the director and indirect shareholder of RISCO.	Payment to RISCO for insurance brokerage and related services ⁽¹⁾ This transaction is recurrent in nature and will subsist after our Listing.	-	-	27 (0.03% of our Group's expenses*)	27 (0.04% of our Group's expenses*)	18 (0.07% of our Group's expenses*)

Notes:

* Refers to our Group's selling and marketing expenses and administrative expenses, collectively.

(1) SkySanctuary Development engaged RISCO for insurance brokerage and related services which include insurance placement, general advice and consultancy as well as claims handling services. The insurance coverage maintained by SkySanctuary Development consist of fire and burglary insurance policy, all of which are expiring in November 2023. The premium paid to RISCO to SkySanctuary Development is considered to be at arms' length as the premium charged is at a rate which is comparable to quotations obtained from 2 other insurance providers for similar insurance policies. Further, RISCO charges similar rates to its customers as compared to our Group.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(vii) Between SkySierra Development and the transacting parties

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 January 2023 and the LPD (RM'000)
			FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
RISCO	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. He is also the director and indirect shareholder of RISCO.	Payment to RISCO for insurance brokerage and related services ⁽¹⁾ This transaction is recurrent in nature and will subsist after our Listing.	-	9 (0.01% of our Group's expenses*)	9 (0.01% of our Group's expenses*)	9 (0.02% of our Group's expenses*)	0.7 (<0.01% of our Group's expenses*)
Low Siok Ling	Low Siok Ling is the spouse of Lee Chee Seng who is our Promoter, substantial shareholder, Non-Independent Executive Director and Chief Executive Officer.	Sale of 2 apartment units in SkySierra (The Valley) Residences to Low Siok Ling ⁽²⁾	766 (0.15% of our Group's revenue)	-	-	-	-

Notes:

* Refers to our Group's selling and marketing expenses and administrative expenses, collectively.

(1) SkySierra Development engaged RISCO for insurance brokerage and related services which include insurance placement, general advice and consultancy as well as claims handling services. The insurance coverage maintained by SkySierra Development consist of, amongst others, fire, burglary and public liability insurance policy, all of which are expiring in March 2024. The premium paid to RISCO to SkySierra Development is considered to be at arms' length as the premium charged is at a rate which is comparable to quotations obtained from 2 other insurance providers for similar insurance policies. Further, RISCO charges similar rates to its customers as compared to our Group.

(2) The transaction value for the sale of the apartment unit is not at arms' length as it is at a discounted price. The discount is pursuant to our employees' privilege scheme which is applicable to our eligible employees and their immediate family members such as parents, spouse and siblings.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(viii) Between SkyVogue Development and the transacting parties

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 January 2023 and the LPD
			FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
RISCO	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. He is also the director and indirect shareholder of RISCO.	Payment to RISCO for insurance brokerage and related services ⁽¹⁾ This transaction is recurrent in nature and will subsist after our Listing.	-	13 (0.02% of our Group's expenses*)	13 (0.02% of our Group's expenses*)	10 (0.02% of our Group's expenses*)	4 (0.02% of our Group's expenses*)
Lee Chee Seng	Lee Chee Seng is our Promoter, substantial shareholder, Non-Independent Executive Director and Chief Executive Officer.	Sale of 1 condominium unit in SkyVogue Residences to Lee Chee Seng ⁽²⁾	-	-	996 (0.13% of our Group's revenue)	-	-

Notes:

* Refers to our Group's selling and marketing expenses and administrative expenses, collectively.

(1) SkyVogue Development engaged RISCO for insurance brokerage and related services which include insurance placement, general advice and consultancy as well as claims handling services. The insurance coverage maintained by SkyVogue Development consist of fire, burglary, public liability and plate glass insurance policy, all of which are expiring between May 2024 and June 2024. The premium paid to RISCO to SkyVogue Development is considered to be at arms' length as the premium charged is at a rate which is comparable to quotations obtained from 2 other insurance providers for similar insurance policies. Further, RISCO charges similar rates to its customers as compared to our Group.

(2) The transaction value for the sale of the condominium unit is not at arms' length as it is at a discounted price. The discount is pursuant to our employees' privilege scheme which is applicable to our eligible employees and their immediate family members such as parents, spouse and siblings.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(ix) Between SkyWorld Asset Management and the transacting party

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 January 2023 and the LPD
			FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
RISCO	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. He is also the director and indirect shareholder of RISCO.	Payment to RISCO for insurance brokerage and related services ⁽¹⁾ This transaction is recurrent in nature and will subsist after our Listing.	-	106 (0.17% of our Group's expenses*)	91 (0.11% of our Group's expenses*)	0.5 (<0.01% of our Group's expenses*)	0.3 (<0.01% of our Group's expenses*)

Notes:

* Refers to our Group's selling and marketing expenses and administrative expenses, collectively.

(1) SkyWorld Asset Management engaged RISCO for insurance brokerage and related services which include insurance placement, general advice and consultancy as well as claims handling services. The insurance coverage maintained by SkyWorld Asset Management consist of public liability and special all risk insurance policy, all of which are expiring in May 2024. The premium paid to RISCO to SkyWorld Asset Management is considered to be at arms' length as the premium charged is at a rate which is comparable to quotations obtained from 2 other insurance providers for similar insurance policies. Further, RISCO charges similar rates to its customers as compared to our Group.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(x) Between Desa Imbangan and the transacting party

Transacting parties	Nature of relationship	Nature of transaction	Transaction value				Between 1 January 2023 and the LPD
			FYE 2020 (RM'000)	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FPE 2023 (RM'000)	
ICT Ventures	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. He is also the director and indirect shareholder of ICT Ventures.	Rental of office equipment from ICT Ventures ⁽¹⁾	-	-	-	15 (0.02% of our Group's expenses*)	-

Notes:

* Refers to our Group's selling and marketing expenses and administrative expenses, collectively.

(1) Desa Imbangan entered into an agreement with ICT Ventures for the rental of office equipment (i.e. laptops and projectors) for a period of 6 days commencing from 22 August 2022 to 27 August 2022 for purposes of a meeting held at a hotel with the relevant external parties to discuss on a potential development project. The total rental charges is RM14,040.00. Based on quotations obtained from 2 other information technology companies namely, Haynik Holding Sdn Bhd and Jurrico Holding Sdn Bhd, for rental of similar office equipment, the range of rental charges is between RM14,880.00 to RM15,100.00. As such, the rental charges paid by Desa Imbangan to ICT Ventures of RM14,040.00 is considered to be arms' length.

Desa Imbangan rented projectors from ICT Ventures and the total rental charges is RM1,000.00. Based on quotations obtained from 2 other information technology companies namely, Haynik Holding Sdn Bhd and Jurrico Holding Sdn Bhd, for rental of similar office equipment, the range of rental charges is between RM1,100.00 to RM1,250.00. As such, the rental charges paid by Desa Imbangan to ICT Ventures is considered to be arms' length.

10. RELATED PARTY TRANSACTIONS (CONT'D)

Save for the discount currently available to all eligible employees of our Group and their immediate family members (which our Group intends to continue after our Listing) in respect of any sale of properties in the ordinary course of business (which discount has also been granted to our Directors and persons connected to them) in respect of the transactions set out in (v), (vii) and (viii) above, our Directors are of the opinion that the related party transactions were carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties.

Our Directors also confirm that there are no other related party transactions that have been entered by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and / or persons connected to them but not yet effected up to the date of this Prospectus.

After our Listing and in accordance with the Listing Requirements, our Company will be required to seek our shareholders' approval each time our Company enters into a material related party transaction. However, if the related party transactions can be deemed as recurrent related party transactions, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time it wishes to enter into such recurrent related party transactions during the validity period of the mandate.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit & Risk Management Committee will, among others, supervise and monitor any related party transactions and the terms thereof and report to our Board for further action, as set out in Section 10.2 of this Prospectus. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, the Directors and major shareholders, and / or persons connected with them which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of his direct and / or indirect shareholdings. Such interested Director and / or major shareholders will also undertake to ensure that the person connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

10.1.2 Transactions entered into that are unusual in their nature or conditions

There were no transactions entered into that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which we or any of our Subsidiaries were a party to in respect of the Financial Years Under Review, FPE 2023 and up to the LPD and for the subsequent financial period immediately preceding the date of this Prospectus.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.1.3 Advances and / or loans made to or for the benefit of related parties

There are no advances and / or loans made by us to or for the benefit of our related parties for the Financial Years Under Review, FPE 2023 and up to the LPD.

10.1.4 Provision of guarantees by our Directors and / or Promoters

Our Directors and Promoters, namely Datuk Seri Ng and Datuk Lam, have jointly and severally provided personal guarantees for the financing facilities extended by Al-Rajhi Banking & Investment Corporation (Malaysia) Bhd, Hong Leong Bank Berhad, Malayan Banking Berhad, OCBC Bank Malaysia Berhad, RHB Bank Berhad, HSBC Bank Malaysia Berhad, HSBC Amanah Malaysia Berhad, OCBC Al-Amin Bank Berhad, Maybank Islamic Berhad and United Overseas Bank (Malaysia) Bhd (collectively, "**Financier(s)**") to our Group. The details of the facilities as at the LPD are set out below:

No.	Financiers	Borrower	Guarantors	Type of Facility	Purpose of Facility	Facility limit (RM'000)	Outstanding amount as at the LPD (RM'000)
1.	Al-Rajhi Banking & Investment Corporation (Malaysia) Bhd	SkyWorld Development	<ul style="list-style-type: none"> Datuk Seri Ng Datuk Lam 	1 trade facility	Working capital	50,000	50,000
2.	Hong Leong Bank Berhad	SkyWorld Development and SkyVogue Development	<ul style="list-style-type: none"> Datuk Seri Ng Datuk Lam 	1 term loan, 1 bridging loan and 2 bank guarantee facilities	<ul style="list-style-type: none"> (i) Issuance of performance payment / payment guarantee bonds favouring customs, utilities, government agencies, statutory bodies; (ii) Redeem existing term loan facility of up to RM20,000,000.00 granted by Bank of China to SkyVogue Development; (iii) Part finance preliminary works, soft cost, infrastructure costs, earthworks, construction costs and other development charges payable to the relevant authorities acceptable to the bank in relation to SkyVogue Residences. 	84,000	15,859

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Financiers	Borrower	Guarantors	Type of Facility	Purpose of Facility	Facility limit (RM'000)	Outstanding amount as at the LPD (RM'000)
3.	Malayan Banking Berhad	SkyWorld Development	<ul style="list-style-type: none"> Datuk Seri Ng Datuk Lam 	1 short term revolving credit facility	Working capital	80,000	80,000
4.	OCBC Bank Malaysia Berhad	SkyWorld Development and SkyWorld Asset Management	<ul style="list-style-type: none"> Datuk Seri Ng Datuk Lam 	1 trade facility and 1 term loan	(i) Issuance of performance payment / payment guarantee bonds favouring customs, utilities, government agencies, statutory bodies as well as other private companies; (ii) Part finance construction cost in relation to SkyBlox.	28,500	7,283
5.	RHB Bank Berhad	SkyWorld Development, SkyAman Development and SkyRia Development	<ul style="list-style-type: none"> Datuk Seri Ng Datuk Lam 	7 term loans, 1 revolving credit facility, 1 bridging loan and 1 bank guarantee facility	(i) Part finance infrastructure cost, renovation and fitting cost and construction cost for SkyArena Sports Complex; (ii) Part finance construction of MSN Sports Complex in Nilai; (iii) Part finance land premium payment for acquisition of lands held under H.S.(D) 121387, PT 50052 (owned by Legasi Spohra) and H.S.(D) 121701, PT 50138 (owned by Aqua Legacy) (see Section 7.21.1 of this Prospectus for further details of the lands); (iv) Working capital; (v) Redeem outstanding balance of term loan facility obtained by SkyAman Development from Hap Seng Credit Sdn Bhd; (vi) Part finance construction costs such as site clearance, piling and earthworks, main building works and	194,400	105,104

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Financiers	Borrower	Guarantors	Type of Facility	Purpose of Facility	Facility limit (RM'000)	Outstanding amount as at the LPD (RM'000)
					cost of mechanical and electrical services in relation to SkyAmanyi; (vii) Issuance of security deposit / performance bond favouring government / statutory bodies and private / public companies; (viii) Part finance acquisition of land held under PM 317, Lot 4249 by SkyRia Development (see Section 7.21.1 of this Prospectus for further details of the land).		
6.	HSBC Bank Malaysia Berhad	SkyAwani 5 Development	<ul style="list-style-type: none"> • Datuk Seri Ng • Datuk Lam 	2 term loans and 2 bridging loans	(i) Part finance acquisition of SkyAwani V Residences project land; (ii) Part finance contribution to authorities, earthworks, foundation, podium and piling works in relation to SkyAwani V Residences; (iii) Part finance all constructions costs of the building works of SkyAwani V Residences.	50,300	-
7.	HSBC Amanah Malaysia Berhad	Curvo Development	<ul style="list-style-type: none"> • Datuk Seri Ng • Datuk Lam 	1 trade facility	Part finance preliminaries, substructure works, earthworks, infrastructure costs, site clearance costs, professional fees, authorities' contribution and land conversion premium, including the sales gallery in relation to Curvo Residences.	99,000	15,976

10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Financiers	Borrower	Guarantors	Type of Facility	Purpose of Facility	Facility limit (RM'000)	Outstanding amount as at the LPD (RM'000)
8.	OCBC Al-Amin Bank Berhad	SkySanctuary Development	<ul style="list-style-type: none"> • Datuk Seri Ng • Datuk Lam 	6 trade facilities and 1 bank guarantee facility	(i) Part finance construction cost in relation to EdgeWood Residences and Sama Square; (ii) Performance / guarantee bonds favouring housing development account, customs, utilities, government agencies, statutory bodies as well as other private companies.	282,938	169,385
9.	Maybank Islamic Berhad	SkyVue Development	<ul style="list-style-type: none"> • Datuk Seri Ng • Datuk Lam 	1 trade facility	Part finance acquisition of land held under GM 41056, Lot 481366 by SkyVue Development (see Section 7.21.1 of this Prospectus for further details of the land).	15,750	15,750
10.	United Overseas Bank (Malaysia) Bhd	SkySierra Development	<ul style="list-style-type: none"> • Datuk Seri Ng • Datuk Lam 	2 term loans, 1 bridging loan, 1 bank guarantee facility	Part finance the following: (i) acquisition of land held under H.S.(D) 123109, PT 50007, H.S.(D) 123110, PT 50008 and H.S.(D) 123111, PT 50009 (all of which are owned by SkySierra Development) (see Section 7.21.1 for further details of the lands) (ii) part finance consultant / professional fees, authority contribution, site clearance, earthwork, infrastructure and piling work of Vesta Residences; (iii) part finance construction cost of Vesta Residences; (iv) issuance of guarantee to relevant authorities for payment / performance related to Vesta Residences.	178,000	67,806

10. RELATED PARTY TRANSACTIONS (CONT'D)

We have written to the Financiers to request for their conditional consent to release the personal guarantees for banking facilities extended by the Financiers to our Group.

As at the date of this Prospectus, we have received unconditional consent from Malayan Banking Berhad and Maybank Islamic Berhad, and conditional approvals from the remaining 8 financiers, namely Al-Rajhi Banking & Investment Corporation (Malaysia) Bhd, RHB Bank Berhad, HSBC Bank Malaysia Berhad, OCBC Al-Amin Bank Berhad, OCBC Bank (Malaysia) Berhad, Hong Leong Bank Berhad, United Overseas Bank (Malaysia) Bhd and HSBC Amanah Malaysia Berhad to release the above personal guarantees. The conditions imposed (which do not have specific timelines) by the financiers include, amongst others, the following:

- (i) Al-Rajhi Banking & Investment Corporation (Malaysia) Bhd imposed the conditions for the successful listing of our Company on the Main Market of Bursa Securities, all other financiers of our Group agreeing to the release of the joint and several guarantee by Datuk Seri Ng and Datuk Lam, as well as both of them remaining as directors and shareholders of our Company;
- (ii) RHB Bank Berhad imposed the conditions for the successful listing of our Company on the Main Market of Bursa Securities, the bank's receipt of the replacement corporate guarantee by our Company which is acceptable to the bank, as well as Datuk Seri Ng and Datuk Lam remaining as controlling shareholders of our Company after our Listing;
- (iii) HSBC Bank Malaysia Berhad imposed the conditions for the successful listing of our Company on the Main Market of Bursa Securities and the bank's receipt of the replacement corporate guarantee by our Company which is acceptable to the bank;
- (iv) OCBC Al-Amin Bank Berhad imposed the conditions for the successful listing of our Company on the Main Market of Bursa Securities and all other financiers of our Group agreeing to the release of the joint and several guarantee by Datuk Seri Ng and Datuk Lam;
- (v) OCBC Bank (Malaysia) Berhad imposed the conditions for the successful listing of our Company on the Main Market of Bursa Securities and all other financiers of our Group agreeing to the release of the joint and several guarantee by Datuk Seri Ng and Datuk Lam;
- (vi) Hong Leong Bank Berhad imposed the conditions for the successful listing of our Company on the Main Market of Bursa Securities, as well as both Datuk Seri Ng and Datuk Lam remaining as the single largest shareholder with a minimum 45% shareholding collectively and retaining management control in our Group after the Listing;
- (vii) United Overseas Bank (Malaysia) Berhad imposed the conditions for the successful listing of our Company on the Main Market of Bursa Securities; and
- (viii) HSBC Amanah Malaysia Berhad imposed the conditions for the successful listing of our Company on the Main Market of Bursa Securities.

10. RELATED PARTY TRANSACTIONS (CONT'D)

3 out of 8 financiers, namely Al-Rajhi Banking & Investment Corporation (Malaysia) Bhd, RHB Bank Berhad and Hong Leong Bank Berhad have imposed specific conditions with respect to the directorships and / or shareholdings of Datuk Seri Ng and Datuk Lam. For purposes of the release of the personal guarantees, our Group is to comply with those conditions. In the event of untoward events which may affect the directorships or the shareholdings of Datuk Seri Ng and Datuk Lam resulting in the non-compliance of such conditions, the financiers are entitled to withdraw or terminate such banking facilities unless waiver for such conditions is obtained by our Group. In the unlikely event where such facilities are terminated or withdrawn, our Group may be required to repay the outstanding amount and the balance unutilised under such facilities can no longer be utilised. This will materially impact our Group's operation and financials as the total amount outstanding under such facilities extended by such financiers as at the LPD is approximately RM171.0 million.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.2.1 Audit & Risk Management Committee review

Our Audit & Risk Management Committee reviews related party transactions to ensure no conflicts of interest arise within our Company or our Group. Our Audit & Risk Management Committee reviews the procedures set by our Company to monitor related party transactions to ensure the integrity of these transactions, procedures or course of conducts. In reviewing the related party transactions, the following, amongst other things will be considered:

- (i) the rationale and the cost / benefit to our Company is first considered;
- (ii) where possible, comparative quotes will be taken into consideration;
- (iii) that the transactions are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not to the detriment of our Group; and
- (iv) that the transactions are not detrimental to our Company's non-interested shareholders.

All reviews by our Audit & Risk Management Committee are reported to our Board for further action.

10.2.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. As disclosed in this Prospectus, some of our Directors and / or major shareholders are also directors and in some cases, shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. In December 2022, our Board has approved our Group's related party transactions policy to be implemented in January 2023. The procedures under such policy include, amongst others, the following:

- (i) all related party transactions with a value of less than RM500,000 for each transaction is subject to the approval of our Chief Executive Officer or any Executive Director;
- (ii) all related party transactions with a value of RM500,000 and above for each transaction shall be reviewed and approved by our Audit & Risk Management Committee and our Board. In addition, our Group may aggregate separate transactions and treat such transactions as if they were one transaction if the terms of such transactions were agreed upon within a period of 12 months. In the event the cumulative value of such transaction exceeds RM500,000, it shall be reviewed and approved by our Audit & Risk Management Committee and our Board;
- (iii) our Audit & Risk Management Committee and our Board shall ensure that all related party transactions are negotiated and agreed upon in the best interest of our Group, on arm's length basis and are based on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not to the detriment of our Group;
- (iv) our Directors will be required to declare any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director and persons connected to him / her shall be required to abstain from deliberation and voting on such resolution; and

10. RELATED PARTY TRANSACTIONS (CONT'D)

- (v) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will report the transactions to our Audit & Risk Management Committee for evaluation and assessment who would in turn, make a recommendation to our Board.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and the MCGG upon our Listing. Please refer to Section 5.3 of this Prospectus for further details.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS OR CONFLICT OF INTEREST

As at the LPD, save as disclosed below, none of our Directors or substantial shareholders have any interest, whether direct or indirect, in other businesses or corporations which are carrying on a similar trade as our Group or which are the customers or suppliers of our Group.

No.	Businesses / Corporations	Principal activity	Nature of interest
1.	Salcon Berhad	Investment holding company with businesses in water and wastewater engineering & construction, healthcare, technology services, transportation, renewable energy and property development through its subsidiaries.	Chan Seng Fatt is our Independent Non-Executive Director. Chan Seng Fatt is also the independent non-executive director of Salcon Berhad. Chan Seng Fatt has no direct or indirect interest in Salcon Berhad.
2.	Four Seasons Development Sdn Bhd ("Four Seasons")	Investment holding company with initial intended activities of property development in Vietnam.	Ong Soo Chan is our Independent Non-Executive Director. Ong Soo Chan is also the non-executive director of Four Seasons. Ong Soo Chan has no direct interest or indirect interest in Four Seasons.
3.	Hartanah NTP Sdn Bhd ("Hartanah NTP")	Property investment (residential / commercial properties).	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. Datuk Seri Ng is also the director and substantial shareholder in Hartanah NTP.
4.	Axel Realty Sdn Bhd ("Axel Realty")	Property investment (residential / commercial properties).	Datuk Seri Ng is our Promoter, substantial shareholder and Non-Independent Executive Chairman. Datuk Seri Ng is also the director and sole shareholder in Axel Realty.
5.	SKL Equity Sdn Bhd ("SKL Equity")	Property investment (residential / commercial properties).	Datuk Lam is our Promoter, substantial shareholder and Non-Independent Executive Director. Datuk Lam is also the director and substantial shareholder in SKL Equity.
6.	Merchant Asia Sdn Bhd ("Merchant Asia")	Property investment (residential / commercial properties).	Lee Chee Seng is our Promoter, substantial shareholder, Non-Independent Executive Director and Chief Executive Officer. Lee Chee Seng is also a substantial shareholder in Merchant Asia.
7.	Wealth Tree Holdings Sdn Bhd ("Wealth Tree Holdings")	Property investment (residential properties).	Ong Soo Chan is our Independent Non-Executive Director. Ong Soo Chan is also the director and substantial shareholder of Wealth Tree Holdings.

11. CONFLICT OF INTEREST (CONT'D)

No.	Businesses / Corporations	Principal activity	Nature of interest
8.	1 More Byte Sdn Bhd (“1 More Byte”)	Property investment (residential properties).	Ong Soo Chan is our Independent Non-Executive Director. Ong Soo Chan is also the director and substantial shareholder of 1 More Byte

Our Board is of the view that any potential conflict of interest situation which may arise through the interests of our Directors and / or substantial shareholders is mitigated due to the following:

(i) Salcon Berhad

- (a) Chan Seng Fatt is the independent non-executive director of our Company and Salcon Berhad. He does not hold an executive role and he is not involved in the day-to-day operations of both companies. Both companies have their own independent and standalone management team to undertake their respective day-to-day management and operations, whereas Chan Seng Fatt only attends meetings of the board of directors on which he serves and accordingly discharges his principal areas of responsibilities as an independent director of the respective companies; and
- (b) Notwithstanding Salcon Berhad is involved in several businesses (including property development) through its subsidiaries, based on Salcon Berhad's annual report for 2022, its engineering and construction segments is the main contributor towards the group's revenue amounting to approximately 66.02% in 2022, whereas there is no contribution from the property development segment to the group's revenue in 2022.

(ii) Four Seasons

- (a) Four Seasons was initially incorporated with the intention to undertake property development activities in Vietnam. However, due to change in circumstances, the development land held under Four Seasons has been disposed to a third-party and is pending completion, following which the company will be dormant with no intended operations. Barring any unforeseen circumstances, the transfer of land is estimated to be completed by second half of 2023.
- (b) Ong Soo Chan holds an interim position as the director of Four Seasons to facilitate her role as the executor of her brother's estate. She will resign from the role upon the completion of the estate administration.

(iii) Hartanah NTP

- (a) Datuk Seri Ng does not hold an executive role in Hartanah NTP and he is not involved in the day-to-day operations of the company. Hartanah NTP has its own independent and standalone management team to undertake its day-to-day management and operations, whereas Datuk Seri Ng only attends meetings of the board of directors on which he serves.
- (b) Hartanah NTP is not involved in any property development activities and is only involved in property investment. As at the LPD, Hartanah NTP does not invest in any developments of our Group.
- (c) In addition, Hartanah NTP invests in residential / commercial properties by acquiring, selling and leasing such properties whereas our Group's property investment is focused on build-to-rent developments.

11. CONFLICT OF INTEREST (CONT'D)**(iv) Axel Realty**

- (a) Datuk Seri Ng does not hold an executive role in Axel Realty and he is not involved in the day-to-day operations of the company. Axel Realty has its own independent and standalone management team to undertake its day-to-day management and operations, whereas Datuk Seri Ng only attends meetings of the board of directors on which he serves.
- (b) Axel Realty is not involved in any property development activities and is only involved in property investment. As at the LPD, Axel Realty does not invest in any developments of our Group.
- (c) In addition, Axel Realty invests in residential/ commercial properties by acquiring, selling and leasing such properties whereas our Group's property investment is focused on build-to-rent developments.

(v) SKL Equity

- (a) Datuk Lam does not hold an executive role in SKL Equity and he is not involved in the day-to-day operations of the company. SKL Equity has its own independent and standalone management team to undertake its day-to-day management and operations, whereas Datuk Lam only attends meetings of the board of directors on which he serves.
- (b) SKL Equity is not involved in any property development activities and is only involved in property investment. As at the LPD, SKL Equity does not invest in any developments of our Group.
- (c) In addition, SKL Equity invests in residential/ commercial properties by acquiring, selling and leasing such properties whereas our Group's property investment is focused on build-to-rent developments.

(vi) Merchant Asia

- (a) Lee Chee Seng is only a substantial shareholder in Merchant Asia and as such, is not involved in the day-to-day operations of the company.
- (b) Merchant Asia is not involved in any property development activities and is only involved in property investment. As at the LPD, Merchant Asia does not invest in any developments of our Group.
- (c) In addition, Merchant Asia invests in residential / commercial properties by acquiring, selling and leasing such properties whereas our Group's property investment is focused on build-to-rent developments.

(vii) Wealth Tree Holdings

- (a) Ong Soo Chan does not hold an executive role in Wealth Tree Holdings and the leasing of the properties of Wealth Tree Holdings is managed by their appointed agents. Due to the nature of the company's business, there are no day-to-day operations required.
- (b) Wealth Tree Holdings is not involved in any property development activities and is only involved in property investment. As at the LPD, Wealth Tree Holdings does not invest in any developments of our Group.

11. CONFLICT OF INTEREST (CONT'D)

- (c) In addition, Wealth Tree Holdings invests in residential properties by acquiring, and leasing such properties whereas our Group's property investment is focused on build-to-rent developments.

(viii) 1 More Byte

- (a) Ong Soo Chan does not hold an executive role in 1 More Byte and there are no day-to-day operations required for this company. As at the LPD, the company holds 2 parcels of vacant lands for Ong Soo Chan's personal use.
- (b) 1 More Byte is not involved in any property development activities and is only involved in property investment. As at the LPD, 1 More Byte does not invest in any developments of our Group.
- (c) In addition, 1 More Byte holds properties for Ong Soo Chan's personal use (i.e. intended residential home) whereas our Group's property investment is focused on build-to-rent developments.

11.2 MONITORING AND OVERSIGHT OF CONFLICT OF INTEREST

Upon Listing, our Board and our Audit & Risk Management Committee will supervise any conflict of interest or potential conflict of interest situations and all Directors, substantial shareholders and key senior management will disclose such conflict-of-interest situations, if any, to our Audit & Risk Management Committee for resolution as and when they arise.

In order to mitigate any possible conflict of interest situation, our Directors, substantial shareholders and key senior management will declare to our Board and our Audit & Risk Management Committee of their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Audit & Risk Management Committee will then evaluate if such involvement by our Directors, substantial shareholders and key senior management gives rise to a potential conflict of interest situation with our Group's business. When a determination has been made that there is a conflict of interest of a Director(s), substantial shareholder(s) and / or key senior management, our Audit & Risk Management Committee will:

- (i) immediately inform our Board of the conflict of interest situation; and
- (ii) make recommendations to our Board to direct the conflicted Director(s), substantial shareholder(s) and / or key senior management to:
- (a) withdraw from all his / her executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director and / or substantial shareholder is an Executive Director). After his / her withdrawal, he / she will remain in the said executive position to perform his / her executive role in matters that will not give rise to conflict of interest situation; and
- (b) abstain from all Board deliberation and involvements in matters where he / she has a conflict of interest situation. The conflicted Director(s) shall also abstain from any Board discussions relating to the recommendation of our Audit & Risk Management Committee and the conflicted Director shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director(s) may however, at the request of our Audit & Risk Management Committee, be present at our meeting for the purposes of answering any questions. The conflicted Director(s) shall also abstain from voting in respect of his / her direct / indirect shareholdings in our Company, if

11. CONFLICT OF INTEREST (CONT'D)

any, on the resolutions pertaining to the said transactions to be tabled at the general meeting to be convened.

In circumstances where a Director is deemed to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his / her fiduciary duties and responsibilities to our Group, our Nomination & Remuneration Committee may determine if the resignation of the conflicted Director from our Board will be appropriate and necessary.

- (iii) to identify the person(s) connected to the conflicted Director, substantial shareholder and / or key senior management (if any) and review any business dealings with such person(s) to establish whether a conflict of interest situation arises. Thereafter, the conflicted Director, substantial shareholder and / or key senior management shall undertake to ensure that persons connected to him / her shall abstain from voting in respect of their direct / indirect shareholdings in our Company, if any, on the resolutions pertaining to the said transactions to be tabled at the general meeting to be convened. Our Audit & Risk Management Committee shall also continue to monitor such business dealings to ensure that they are conducted on arms' length basis and based on terms that are favourable to our Group.

11.3 DECLARATION BY EXPERTS

11.3.1 Declaration by Kenanga IB

Kenanga IB, its subsidiaries and associated companies ("**Kenanga Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. Kenanga Group's securities business is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

Kenanga Group may engage in transactions with and perform services for our Company and / or its affiliates, in addition to the roles as set out in this Prospectus. In addition, in the ordinary course of business, any member of Kenanga Group may at any time offer or provide its services to or engage in any transactions with our Company and / or its affiliates or any other person(s). This is a result of the businesses of Kenanga Group generally acting independently of each other and accordingly, there may be situations where parts of Kenanga Group and / or its customers now have or in the future, may have interest in or take actions that may conflict with the interests of our Company and / or its affiliates.

Kenanga IB have been appointed as the Principal Adviser, Lead Arranger, Lead Manager and Facility Agent for the establishment of an ICP and IMTN programme of RM300.00 million in nominal value and issuance of ICP and IMTN over a tenure of 7 years to be issued by SkyWorld Capital ("**ICP and IMTN Programme**"). Additionally, Kenanga IB (Islamic Capital Markets) is appointed as the Shariah adviser for our Company's Shariah Compliance status.

Notwithstanding the above, Kenanga IB is of the view that the aforesaid appointment would not give rise to a conflict of interest situation in its capacity as our Principal Adviser, Underwriter and Placement Agent for our IPO based on the following reasons:

- (i) Kenanga IB is a licensed investment bank and its appointment as:
 - (a) the Principal Adviser, Underwriter and Placement Agent for our IPO;
 - (b) the principal adviser, lead arranger, lead manager and facility agent for the ICP and IMTN Programme; and

11. CONFLICT OF INTEREST (CONT'D)

- (c) the Shariah adviser for our Shariah Compliance status, arose in the ordinary course of business;
- (ii) the conduct of the Kenanga Group in its businesses is strictly regulated by the Financial Services Act 2013, Islamic Financial Services Act 2013, and where applicable, the CMSA, as well as Kenanga Group's own internal controls policies and procedures, and Chinese walls between different business divisions;
- (iii) the estimated aggregated advisory, arranger, agency and management fee payable to Kenanga IB arising from our IPO and throughout the tenure of the ICP and IMTN Programme amounts to RM20.95 million, representing 2.9% of the audited revenue of Kenanga Group of RM723.09 million for the financial year ended 31 December 2022, which is not material as it is less than 5.0%; and
- (iv) the IPO proceeds will not be used to repay / redeem the ICP and IMTN Programme.

Kenanga IB has also confirmed that as at the LPD, there are no circumstances that exists or is likely to exist to give rise to a potential conflict of interest situation in its capacity as our Principal Adviser, Underwriter and Placement Agent. As at the LPD, there are no loans or credit facilities that were extended by Kenanga IB to the Company, Directors and substantial shareholders.

11.3.2 Declaration by Newfields Advisors

Newfields Advisors is of the view that the appointment in its capacity as our Financial Adviser for our Listing would not give rise to a conflict of interest situation due to the following:

- (i) Newfields Advisors is a corporate finance adviser licensed by the SC and the appointment arose in the ordinary course of business; and
- (ii) Newfields Advisors' appointment as the Financial Adviser for the ICP and IMTN Programme is to assist our Company to finalise the transaction structure as well as to review all information and documents relevant to the ICP and IMTN Programme. Furthermore, the fee payable to Newfields Advisors for the ICP and IMTN Programme is nominal and not material.

In addition, Newfield Advisors' scope of work as the Financial Adviser of our Listing includes the following:

- (i) to jointly advise with our Principal Adviser on our Group's restructuring, equity and corporate structure in preparation for our Listing;
- (ii) to jointly advise with our Principal Adviser on the Listing scheme including the offering structure (optimal public shareholding spread and Bumiputera equity requirement), IPO pricing and valuation in relation to our Listing;
- (iii) to participate as a member of the due diligence working group for the purpose of due diligence exercise as required for our Listing;
- (iv) to assist our Group in compiling information and documents for our Listing;
- (v) to assist in reviewing this Prospectus and documents prepared by the relevant advisers in relation to our Listing; and
- (vi) to attend to any other general matters incidental to our Listing.

11. CONFLICT OF INTEREST (CONT'D)

Newfields Advisors has also confirmed that as at the LPD, there are no circumstances that exists or is likely to exist to give rise to a potential conflict of interest situation in its capacity as our Financial Adviser.

11.3.3 Declaration by Rosli Dahlan Saravana Partnership (“RDS”)

RDS is the solicitor for the ICP and IMTN Programme.

RDS is of the view that the abovementioned do not give rise to a conflict of interest situation in its capacity as the Solicitor as to Malaysian law in respect of our IPO due to the following:

- (i) RDS's appointment as the solicitor for the ICP and IMTN Programme arose in the ordinary course of its business as a law firm; and
- (ii) RDS does not receive or derive any financial interest or benefits save for the professional fees received in relation to its appointment as the solicitor for the ICP and IMTN Programme.

RDS has also confirmed that as at the LPD, there are no circumstances that exists or is likely to exist to give rise to a potential conflict of interest situation in its capacity as the Solicitors as to Malaysian law in respect of our IPO.

11.3.4 Declaration by Deloitte PLT

Deloitte PLT confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for our IPO.

11.3.5 Declaration by Vital Factor

Vital Factor confirms that there is no existing or potential conflict of interest in its capacity as the Independent Business and Market Research Consultants for our IPO.

11.3.6 Declaration by CBRE WTW Valuation & Advisory Sdn Bhd

CBRE WTW Valuation & Advisory Sdn Bhd confirms that there is no existing or potential conflict of interest in its capacity as the Independent Valuer for our IPO.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

The following table sets out a summary of the consolidated statements of profit or loss and other comprehensive income and consolidated statements of financial position of our Group for the Financial Years Under Review and FPE 2023. The consolidated financial statements have been prepared in accordance with MFRS and IFRS and should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

There are no accounting policies which are peculiar to our Group because of the nature of the business or industry which we are involved in. The Group has adopted MFRS 16 since FYE 2020. For further details on the accounting policies of our Group, please see Note 3 of the Accountants' Report as set out in Section 13 of this Prospectus.

12.1.1 Consolidated statements of profit or loss and other comprehensive income of our Group

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	523,860	488,797	790,437	548,975	615,461
Cost of sales	(345,139)	(337,133)	(540,830)	(382,021)	(414,790)
GP	178,721	151,664	249,607	166,954	200,671
Other operating income	5,206	3,209	3,141	1,679	4,071
Selling and marketing expenses	(9,756)	(13,063)	(10,751)	(6,355)	(7,514)
Administrative expenses	(56,752)	(48,950)	(74,236)	(37,866)	(53,606)
Finance cost	(15,652)	(18,511)	(17,743)	(12,737)	(11,466)
Share of results of associated companies	(7)	-	-	-	-
PBT	101,760	74,349	150,018	111,675	132,156
Income tax expense	(36,513)	(11,038)	(45,732)	(31,813)	(40,708)
PAT	65,247	63,311	104,286	79,862	91,448
Other comprehensive income	8	(6)	#	(1)	(574)
Total comprehensive income	65,255	63,305	104,286	79,861	90,874
PAT attributable to:					
- Owners of our Company	67,598	59,542	106,035	80,353	85,790
- Non-controlling interests	(2,351)	3,769	(1,749)	(491)	5,658
	65,247	63,311	104,286	79,862	91,448
EBITDA ⁽¹⁾	117,296	93,413	167,675	124,842	142,665
GP margin (%) ⁽²⁾	34.12	31.03	31.58	30.41	32.60
PBT margin (%) ⁽³⁾	19.43	15.21	18.98	20.34	21.47
PAT margin (%) ⁽⁴⁾	12.46	12.95	13.19	14.55	14.86
PATAMI margin (%) ⁽⁵⁾	12.90	12.18	13.41	14.64	13.94
Basic EPS (sen) ⁽⁶⁾	8.54	7.52	13.39	10.15	10.83
Diluted EPS (sen) ⁽⁷⁾	6.76	5.95	10.60	8.04	8.58

Notes:

(1) EBITDA is computed as follows:

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	65,247	63,311	104,286	79,862	91,448
Less:					
Finance income	(2,151)	(1,370)	(1,580)	(727)	(2,403)
Add:					

12. FINANCIAL INFORMATION (CONT'D)

	<i>Audited</i>			<i>Unaudited</i>	<i>Audited</i>
	<i>FYE 2020</i>	<i>FYE 2021</i>	<i>FYE 2022</i>	<i>FPE 2022</i>	<i>FPE 2023</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
Taxation	36,513	11,038	45,732	31,813	40,708
Depreciation	2,035	1,923	1,494	1,157	1,446
Finance cost	15,652	18,511	17,743	12,737	11,466
EBITDA	117,296	93,413	167,675	124,842	142,665

(2) Computed based on GP over revenue.

(3) Computed based on PBT over revenue.

(4) Computed based on PAT over revenue.

(5) Computed based on PATAMI over revenue.

(6) Computed based on PAT attributable to owners of our Company over 792,000,000 Shares after the Pre-IPO exercise.

(7) Computed based on PAT attributable to owners of our Company over 1,000,000,000 Shares after our IPO.

Less than RM1,000

12.1.2 Consolidated statements of financial position of our Group

	<i>Audited as at 31 March</i>			<i>Audited as at 31 December</i>
	<i>FYE 2020</i>	<i>FYE 2021</i>	<i>FYE 2022</i>	<i>FPE 2023</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
ASSETS				
Non-current assets				
Property, plant and equipment	2,833	2,094	8,233	13,467
Right-of-use-assets	339	1,223	686	302
Intangible assets	85	-	2,810	2,679
Investment property	-	-	-	47,986
Inventories – land held for property development	485,169	538,799	528,764	583,977
Goodwill	1,149	1,149	1,149	1,214
Deferred tax assets	5,297	13,794	12,815	21,404
Prepaid expenses	-	994	1,789	1,941
Total non-current assets	494,872	558,053	556,246	672,970
Current assets				
Inventories – property development cost	216,661	270,156	196,428	115,622
Inventories – completed properties	55,390	40,424	80,205	47,973
Contract assets	27,196	33,902	117,432	68,631
Contract cost assets	4,311	8,169	8,427	6,933
Trade receivables	61,555	78,720	74,209	59,931
Other receivables, refundable deposits and prepaid expenses	11,019	39,211	47,055	10,511
Current tax assets	1,463	2,382	4,125	8,970
Deposits, cash, bank balances and Housing Development Accounts	154,751	161,622	280,472	337,920
Total current assets	532,346	634,586	808,353	656,491
TOTAL ASSETS	1,027,218	1,192,639	1,364,599	1,329,461

12. FINANCIAL INFORMATION (CONT'D)

	Audited as at 31 March			Audited as at
	FYE 2020	FYE 2021	FYE 2022	31 December
	RM'000	RM'000	RM'000	FPE 2023
				RM'000
EQUITY AND LIABILITIES				
EQUITY				
Equity attributable to owners of our Company				
Share capital	62,500	62,500	62,500	62,500
Foreign currency translation reserves	8	2	2	(572)
Retained earnings	237,965	297,506	403,380	489,191
Non-controlling interests	(3,007)	762	(826)	4,811
TOTAL EQUITY	297,466	360,770	465,056	555,930
LIABILITIES				
Non-current liabilities				
Land cost payable	75,350	504	-	-
Lease liabilities	128	637	124	50
Bank borrowings	230,205	201,965	289,796	238,842
Deferred tax liability	290	290	789	811
Total non-current liabilities	305,973	203,396	290,709	239,703
Current liabilities				
Trade payables	148,530	241,856	190,477	167,305
Other payables and accrued expenses	38,416	46,947	60,252	50,616
Contract liabilities	10,092	56,342	109,416	11,136
Land costs payable	18,982	77,477	77,021	68,258
Lease liabilities	188	584	565	241
Bank borrowings	181,803	190,537	158,225	213,703
Tax liabilities	25,768	14,730	12,878	22,569
Total current liabilities	423,779	628,473	608,834	533,828
TOTAL LIABILITIES	729,753	831,869	899,543	773,531
TOTAL EQUITY AND LIABILITIES	1,027,218	1,192,639	1,364,599	1,329,461
Number of Shares in issue ('000)	62,500	62,500	62,500	62,500
NA (RM'000)	297,466	360,770	465,056	555,930
NA per Share (sen)	475.95	577.23	744.09	889.49

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12. FINANCIAL INFORMATION (CONT'D)**12.2 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness as at 30 April 2023 and is based on the assumption that our Pre-IPO Exercise, IPO, Listing and the use of proceeds from our Public Issue to repay RM20.00 million outstanding amount of our borrowings as set out in Section 4.8 of this Prospectus.

The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 30 April 2023 and is provided for illustrative purposes only.

	<u>Unaudited</u>	<u>Pro Forma I</u>	<u>Pro Forma II</u>	<u>Pro Forma III</u>
	<u>As at 30 April 2023</u>	<u>After Public Issue</u>	<u>After I and utilisation of proceeds</u>	<u>After I, II and assuming full conversion of the ICPS</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Indebtedness ⁽¹⁾				
Current				
Secured and guaranteed:				
Term loans	187,128	187,128	167,128	167,128
Bridging loans	6,696	6,696	6,696	6,696
Bank overdrafts	-	-	-	-
	<u>193,824</u>	<u>193,824</u>	<u>173,824</u>	<u>173,824</u>
Unsecured and unguaranteed:				
Lease liabilities	99	99	99	99
Non-Current				
Secured and guaranteed:				
Term loans	308,493	308,493	308,493	308,493
Bridging loans	15,518	15,518	15,518	15,518
	<u>324,011</u>	<u>324,011</u>	<u>324,011</u>	<u>324,011</u>
Unsecured and unguaranteed:				
Lease liabilities	81	81	81	81
Total indebtedness	<u>518,015</u>	<u>518,015</u>	<u>498,015</u>	<u>498,015</u>
Total capitalisation	631,600	798,000	786,792	786,792
Total capitalisation and indebtedness	<u>1,149,615</u>	<u>1,316,015</u>	<u>1,284,807</u>	<u>1,284,807</u>
Gearing ratio (times) ⁽²⁾	<u>0.82</u>	<u>0.65</u>	<u>0.63</u>	<u>0.63</u>

Notes:

(1) *Indebtedness refers to financial liabilities arising from financing activities, which include bank borrowings and lease liabilities. The lease liabilities of our Group comprise the leases of several assets including office building and office equipment recognised in accordance with MFRS 16 Leases.*

(2) *Computed based on total indebtedness over total capitalisation.*

12. FINANCIAL INFORMATION (CONT'D)

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

The following management's discussion and analysis of our Group's financial conditions and results of operations for the Financial Years Under Review and FPE 2023 should be read with the Accountants' Report as set out in Section 13 of this Prospectus.

12.3.1 Overview of our business

We are an urban property developer focusing on the development of high-rise residential and commercial as well as affordable properties in FT Kuala Lumpur. Other services include the provision of management services comprising supervision of third-party property management companies during their course of managing the properties.

12.3.2 Significant factors materially affecting our operations and financial results

The significant factors affecting our business are set out below:

(i) External factors which may result in delay in completion of development or slowdown in the site progress may affect our business and financial performance

We are subjected to external factors, which are beyond the control of our management, and these may affect the timely completion of property development. The timely completion of our developments depends on among others, delays in obtaining permits or approvals from relevant authorities, delays in the construction and related works performed by the contractors, land clearing and preliminary works such as underlying topography or encumbrances or land, weather conditions at the development sites, outbreaks, epidemics or pandemics, where any one or a combination of these factors may interrupt our on-site operations. Any delays in the completion of our property development may result in claims for LAD by our customers and / or an increase in our overall costs, which would affect our financial performance. There were no material LAD payments for the Financial Years Under Review, FPE 2023 and up to the LPD. Please refer to Section 9.1.9 of this Prospectus for further details.

(ii) Our revenue contribution and profitability performance could vary from year to year which is attributed to our ability to launch new developments and the property takes up

Our revenue declined from RM523.86 million in FYE 2020 to RM488.80 million in FYE 2021 and subsequently increased to RM790.44 million in FYE 2022. While our GP margin declined from 34.12% in FYE 2020 to 31.03% in FYE 2021 and subsequently improved slightly to 31.58% in FYE 2022. In FPE 2023, our revenue increased to RM615.46 million compared to RM548.98 million in FPE 2022. In FPE 2023, our GP margin improved to 32.60% compared to 30.41% in FYE 2022. In this respect, our revenue contribution and profitability performance could vary from year to year.

As a property developer, our revenue is mainly derived based on the number of properties launched and sold. In this respect, the performance of our revenue and GP margin from our property development segment may be affected by various factors including, among others, market demand, sales volume and price of properties. Other factors include changes in the preference of the types of properties, as well as affordability, may also affect the take-up rate of properties, changes in development costs which mainly comprise acquisition of land and related costs as well as construction and labour costs which may affect profitability, the ability to complete the development in a timely manner and handover the completed properties to buyers, as well as the type and price range of properties that are being offered or launched. In the event we face any cost overruns for our property development without any contingency cost in place, this would affect our financial performance.

12. FINANCIAL INFORMATION (CONT'D)

In addition, we may be exposed to the risk of acquiring land with adverse topography or encumbrances or land that may not be feasible for development. Generally, we adopt two approaches for land acquisition including acquiring land from land owners at an agreed price or land acquisition through a land exchange arrangement which involves the construction of government facilities using our financial resources in exchange for the agreed land. In the event we experience any unforeseen adverse land issues, this may result in the escalation in our development costs where we may be obligated to increase the selling price of our properties in order to achieve our desired returns. The increase in the price of our properties may reduce our competitiveness in the market or reduce the appeal or level of affordability of our properties to potential buyers. Any increases in our development costs may also adversely affect the overall profitability of our developments. Please refer to Section 9.1.2 of this Prospectus for further details.

(iii) Our profitability performance may be affected by the recognition of revenue arising from terms stipulated in the commercial arrangements and / or agreement

Based on our accounting policy, for properties sold when the development is still ongoing, revenue is recognised over time by reference to the progress towards complete satisfaction of that performance obligation stated in the contract namely the SPA. As for the completed properties, the revenue is recognised at a point in time upon delivery of completed development units where the control of the completed units has been passed to the buyer.

Notwithstanding the above, a certain portion of sales consideration under the HouzKEY 2.0 programme based on the framework agreements with Maybank Islamic Berhad may not be recognised due to stipulated terms and conditions in the contract. The revenue for these sold properties under the HouzKEY 2.0 programme was not fully recognised while the development cost was fully recognised upon completion of the development. The remaining unrecognised portion of revenue is dependent on the occurrence or non-occurrence of a future event that is not substantially within the control as it is subject to the customers exercising the option to purchase the unit. Between Maybank Islamic Berhad and the applicant, the tenancy tenure of HouzKEY 2.0 programme ranges from 5 years up to 30 years or the applicant reaching the age of 70, whichever is earlier.

In this respect, any changes in revenue recognition arising from terms stipulated in the commercial arrangement and agreement such as the framework agreements mentioned above may affect our financial performance.

(iv) We are subject to financial risks including liquidity risk and interest rate risk that may result in financial distress if we fail to meet our financial and performance obligations

Our working capital requirements for our property development operations are funded by internally generated funds and external financing in the form of borrowings from financial institutions. Our bank borrowings increased from RM412.01 million in FYE 2020 to RM448.02 million in FYE 2022, mainly contributed by the higher utilisation of term loans to fund our developments. In FPE 2023, our bank borrowings were RM452.55 million. In this respect, we may be exposed to the liquidity risk that arises principally from our borrowings and the timing of costs incurred for property development and collections from the purchasers for the sales of our properties.

As at 31 December 2022, our bank borrowings of RM452.55 million were interest bearing which are based on floating interest rates. Our finance cost increased from RM15.65 million in FYE 2020 to RM18.51 million in FYE 2021 and RM17.74 million in FYE 2022. In FPE 2023, our finance cost was RM11.47 million. In this respect, any increases in interest rates may impact on our financial performance. Please refer to Sections 12.3.10 and 12.4.3 of this Prospectus for further details on our finance costs and bank borrowings respectively.

12. FINANCIAL INFORMATION (CONT'D)

In addition, any significant increases in interest rates may result in an increase in our holding expenses during the development period as each development would typically take approximately 2 to 4 years to complete subject to the type and size of the development. Any significant increases in interest rates may adversely affect our cash flow due to the differences in the timing of funds received based on progress payments from purchasers of our properties. If we fail or encounter difficulties in meeting our financial obligations when they fall due, this will result in a financial distress condition which would adversely affect our operations and financial performance. For the Financial Years Under Review, FPE 2023 and up to the LPD, we have not defaulted on any payments of either principal and / or interests in relation to our borrowings.

During FYE 2020, cash flow from operations showed a negative operating cashflow of RM69.83 million mainly attributed to the payment of land and associated cost in relation to various land acquisitions including SkySierra Land in Setiawangsa (RM32.56 million), SkyAwani 5 Land in Sentul (RM12.12 million), SkySanctuary Land (RM16.34 million) as well as a cost of RM21.63 million from the completion of the physical construction of a sports complex in FYE 2020 pertaining to the Land Swap Agreement. The CCC of the sports complex was subsequently obtained in December 2021. Please refer to Section 12.4.2 of this Prospectus for further details on net cash used in operating activities for FYE 2020.

There is no assurance that we would not experience any adverse liquidity conditions which may materially affect our result of operations and financial performance. Please refer to Section 9.1.6 of this Prospectus for further details on this risk factor.

(v) Location of the development may affect the property take-up

The success of property development is dependent on, amongst others, the location of the land bank and development. Failure in sourcing strategically located land bank for property development may impair our competitiveness in meeting market needs and requirements. In this respect, any unfavourable location of the development may affect the property take-up rate which would then adversely affect our financial conditions and performance.

(vi) We are subjected to rectification costs incurred or claims during the defect liability period

Our business in property development involves granting a DLP which ranges between 12 months and 24 months from the date of vacant possession of the property. Please refer to Section 7.5.2 of this Prospectus for further details of the DLP of our properties. In the event of any unexpected defects during the defect liability period, we will have to incur rectification expenses for repair works that are carried out by our contractors, which may be identified during this period, at our own costs. In this respect, any material rectification costs incurred and / or claims would adversely affect our financial condition and performance. Please refer to Section 9.1.10 of this Prospectus for further details.

(vii) Our financial performance may be affected by claims and legal proceedings

For the FYE 2020, there was a provision of doubtful debts amounting to RM5.13 million attributed to failure to recover a deposit paid to a third party company in relation to a proposed joint acquisition of land in 2016 prior to the Financial Years Under Review. The provision of the doubtful debt was the result of the inability to recover the said deposit subsequent to the closing of the legal proceeding for the above. Please refer to Section 9.1.12 of this Prospectus for further details.

12. FINANCIAL INFORMATION (CONT'D)

Save as disclosed in Section 12.7.1 of this Prospectus, we are not engaged in any other material litigation or arbitration proceedings which may have material effects on our business and financial performance, or our directors are unaware of any proceedings or of any fact that are likely to give rise to any proceedings. However, there can be no assurance that there will not be any other proceedings in the future that could adversely affect our results of operations and financial performance. Please refer to Section 9.1.12 of this Prospectus for further details.

In addition, we terminated the services of our contractor for Ascenda Residences in FYE 2017 resulting in a legal dispute which was subsequently settled by way of a settlement agreement (as disclosed in Section 9.1.3 of this Prospectus). Pursuant to the closing of an arbitration case pertaining to our termination of the services of a main contractor, we entered into a Tripartite settlement agreement where we paid the outstanding amount of RM13.56 million to the main contractor which included cash settlement and payment in kind by way of contra of 8 units of completed properties (RM6.67 million) in FYE 2021. As at the LPD, our Group has made all payments required pursuant to the settlement agreement. Please refer to Sections 9.1.12 and 15.5 of this Prospectus for further details relating to this risk factor and tripartite settlement respectively.

Between FYE 2015 and FYE 2022, there were tax penalties amounting to a total of RM5.68 million that were imposed by relevant authorities on our Group mainly due to (i) late payment of income tax and tax instalment amounting to RM22.02 million, (ii) additional tax payable pursuant to underestimation of tax amounting to RM27.05 million, (iii) additional tax payable pursuant to incorrect tax treatment in respect of timing for recognition of income from the joint venture developments and sales of completed units amounting to RM2.54 million and (iv) additional tax payable pursuant to voluntary tax revision for an understatement of tax amounting to RM2.85 million. Further details of the tax penalties are disclosed in Section 7.23.1 of this Prospectus. However, there can be no assurance that there will not be any material tax penalties imposed on our Group and / or additional tax payable that could adversely affect our financial performance and operations in the future.

(viii) We are subjected to the inherent risks in the property development industry that may affect the performance of the property market

We are subjected to the inherent risks in the property development industry among others but not limited to political and economic conditions, changing regulatory requirements, changes in business conditions such as labour shortages, changes in the economic environment such as inflation and rising interest rates which may affect the demand for our properties. This would adversely affect our business operations and financial performance. Please refer to Section 9.2.2 of this Prospectus for further details.

(ix) Our business operations and financial performance may be affected by a prolonged or resurgence of COVID-19 pandemic or emergence of other epidemics or pandemics

The spread or outbreak of the COVID-19 or any other contagious or virulent diseases may potentially affect our business operations. Our business operations were affected due to various COVID-19 pandemic containment measures between 2020 and 2021. Please refer to Sections 7.14 and 9.1.4 of this Prospectus for further details on the impact of COVID-19.

12. FINANCIAL INFORMATION (CONT'D)

12.3.3 Overview of our results of operations

For the Financial Years Under Review and FPE 2023, our revenue was mainly derived from the property development business.

Our property development revenue recognition criteria are as follows:

- Revenue from the property development in progress (ongoing development during the respectively financial year) is recognised over the period of the contract by reference to the progress towards the completion of the performance obligation. This is based on the percentage of completion by reference to the property development costs incurred to date as a percentage of the estimated total cost of development in respect of on-going development units which have been sold with signed SPA as at the financial reporting period.
- Revenue from the inventory sales of completed units is recognised at a point in time upon delivery of completed development units where the control of the completed units has been passed to the buyer.

The construction revenue is recognised over time using the input method based on the proportion of the construction cost incurred to date over the estimated total costs for the construction contract.

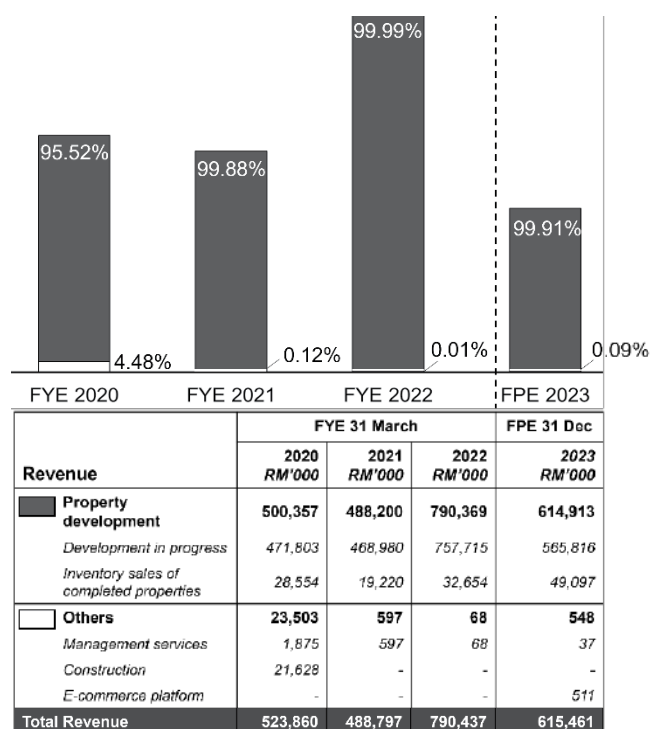
Revenue from our property development segment consists of sales derived from development in progress and inventory sales of completed properties.

Between FYE 2020 and FYE 2022, revenue from our property development segment increased at a CAGR of 25.68% from RM500.36 million in FYE 2020 to RM790.37 million in FYE 2022. In FYE 2022, our property development segment represented 99.99% of our Group's total revenue.

Revenue from our property development segment increased by RM65.99 million or 12.02% to RM614.91 million in FPE 2023 (FPE 2022: RM548.92 million). The increase was mainly attributed to an increase in revenue from apartment / condominium developments.

For the Financial Years Under Review and FPE 2023, all of our sales of development in progress and inventory sales were located in FT Kuala Lumpur. Please refer to Sections 7.4.2 and 7.4.3 of this Prospectus for further details on our completed and on-going property developments.

A small proportion of our revenue was derived from other activities, mainly management services where the revenue is recognised over time when the services are rendered in accordance with the contract term. Between FYE 2020 and FYE 2022, the revenue contribution of management services decreased from RM1.88 million in FYE 2020 to RM0.07 million in FYE 2022. For FYE 2022, management services accounted for 0.01% of our Group's total revenue. For the FPE 2023, revenue from the others segment increased by RM0.50 million to RM0.55 million (FPE 2022: RM0.05 million) mainly contributed by revenue from the e-commerce platform that



12. FINANCIAL INFORMATION (CONT'D)

launched in March 2022 where we receive a commission based on products and services transacted on the platform.

In FYE 2020, there was construction revenue recognised from the completion of the physical construction of a sports complex pursuant to the Land Swap Agreement. The CCC of the sports complex was subsequently obtained in December 2021. The revenue from construction services is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The revenue from construction accounted for 4.13% of our Group's total revenue in FYE 2020. For further details on our other services, please refer to Section 7.3.1 of this Prospectus.

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12. FINANCIAL INFORMATION (CONT'D)

12.3.4 Revenue

(i) Revenue segmentation by business activities

Revenue	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Property development	500,357	95.52	488,200	99.88	790,369	99.99	548,923	99.99	614,913	99.91
Sales of developments in progress	471,803	90.07	468,980	95.95	757,715	95.86	530,491	96.63	565,816	91.93
Inventory sales of completed properties	28,554	5.45	19,220	3.93	32,654	4.13	18,432	3.36	49,097	7.98
Others	23,503	4.48	597	0.12	68	0.01	52	0.01	548	0.09
Management services	1,875	0.35	597	0.12	68	0.01	52	0.01	37	0.01
Construction ⁽¹⁾	21,628	4.13	-	-	-	-	-	-	-	-
E-commerce platform									511	0.08
Total	523,860	100.00	488,797	100.00	790,437	100.00	548,975	100.00	615,461	100.00

Note:

(1) Construction revenue was recognised from the completion of the physical construction of a sports complex pursuant to the Land Swap Agreement. The CCC of the sports complex was subsequently obtained in December 2021.

12. FINANCIAL INFORMATION (CONT'D)

(ii) Revenue segmentation by types of development

Revenue developments	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Property development	500,357	95.52	488,200	99.88	790,369	99.99	548,923	99.99	614,913	99.91
Apartment / condominium	221,586	42.30	411,797	84.25	545,516	69.01	386,611	70.42	570,169	92.64
Serviced apartment	207,575	39.62	75,247	15.39	220,018	27.83	150,320	27.38	39,196	6.37
Mixed development	71,196	13.60	1,156	0.24	24,835	3.15	11,992	2.19	5,548	0.90
Others	23,503	4.48	597	0.12	68	0.01	52	0.01	548	0.09
Management services	1,875	0.35	597	0.12	68	0.01	52	0.01	37	0.01
Construction ⁽¹⁾	21,628	4.13	-	-	-	-	-	-	-	-
E-commerce platform	-	-	-	-	-	-	-	-	511	0.08
Total	523,860	100.00	488,797	100.00	790,437	100.00	548,975	100.00	615,461	100.00

Note:

(1) Construction revenue was recognised from the completion of the physical construction of a sports complex pursuant to the Land Swap Agreement. The CCC of the sports complex was subsequently obtained in December 2021.

12. FINANCIAL INFORMATION (CONT'D)

(iii) Revenue segmentation by developments

Revenue by developments	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Property development	500,357	95.52	488,200	99.88	790,369	99.99	548,923	99.99	614,913	99.91
Apartment / condominium	221,586	42.30	411,797	84.25	545,516	69.01	386,611	70.42	570,169	92.64
<i>SkySierra Residences (The Valley)</i>	11,170	2.13	60,152	12.31	170,889	21.62	108,044	19.68	246,373	40.03
<i>SkyAwani III Residences</i>	92,518	17.66	217,737	44.54	149,784	18.95	133,565	24.33	45,801	7.44
<i>SkyAwani IV Residences</i>	10,760	2.05	99,249	20.30	126,220	15.97	72,902	13.28	140,327	22.80
<i>EdgeWood Residences</i>	-	-	-	-	35,835	4.53	28,077	5.11	58,956	9.58
<i>SkyAwani V Residences</i>	-	-	12,546	2.57	28,118	3.56	19,824	3.61	50,767	8.25
<i>SkyVogue Residences</i>	-	-	4,041	0.83	26,851	3.39	17,758	3.23	23,579	3.83
<i>Bennington Residences</i>	107,058	20.44	18,086	3.70	7,819	0.99	6,441	1.18	4,366	0.71
<i>Ascenda Residences</i>	80	0.02	(²) (14)	#	-	-	-	-	-	-
Serviced apartment	207,575	39.62	75,247	15.39	220,018	27.83	150,320	27.38	39,196	6.37
<i>SkyMeridien Residences</i>	28,860	5.51	75,247	15.39	220,018	27.83	150,320	27.38	39,196	6.37
<i>SkyLuxe On The Park Residences</i>	178,715	34.11	-	-	-	-	-	-	-	-
Mixed development	71,196	13.60	1,156	0.24	24,835	3.15	11,992	2.19	5,548	0.90
<i>SkyAwani Residences</i>	2,489	0.48	880	0.18	24,805	3.14	11,962	2.18	4,864	0.79
<i>SkyAwani II Residences</i>	68,707	13.12	276	0.06	30	#	30	0.01	684	0.11
Others	23,503	4.48	597	0.12	68	0.01	52	0.01	548	0.09
Management services	1,875	0.35	597	0.12	68	0.01	52	0.01	37	0.01
Construction ⁽¹⁾	21,628	4.13	-	-	-	-	-	-	-	-
E-commerce platform	-	-	-	-	-	-	-	-	511	0.08
Total	523,860	100.00	488,797	100.00	790,437	100.00	548,975	100.00	615,461	100.00

12. FINANCIAL INFORMATION (CONT'D)

Notes:

- (1) Construction revenue was recognised from the completion of the physical construction of a sports complex pursuant to the Land Swap Agreement. The CCC of the sports complex was subsequently obtained in December 2021.
- (2) For FYE 2021, Ascenda Residences recorded a negative revenue of approximately RM14,000 and this was due to the claim on SPA legal fees in relation to the sales in previous year.
- # Less than 0.01%

Property developments	Prior to FYE 2020	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	Cumulative units sold	Stage of completion	Units sold	Stage of completion	Units sold	Stage of completion	Units sold	Stage of completion	Units sold
Apartment / condominium									
SkySierra Residences (The Valley)	-	7.14%	329	23.32%	363	46.14%	356	74.12%	242
SkyAwani III Residences	1,717	27.57%	162	65.24%	25	91.93%	1	100.00%	-
SkyAwani IV Residences	-	7.87%	443	21.77%	1,278	44.85%	55	71.12%	6
EdgeWood Residences	-	0.00%	-	0.00%	-	14.98%	514	25.30%	340
SkyAwani V Residences	-	0.00%	-	8.02%	540	22.10%	71	49.55%	-
SkyVogue Residences	-	0.00%	-	7.45%	82	14.51%	214	23.33%	21
Bennington Residences	458	100.00%	55	100.00%	28	100.00%	16	100.00%	6
Ascenda Residences	650	100.00%	-	100.00%	-	100.00%	-	100.00%	-
Serviced apartment									
SkyMeridien Residences	229	23.60%	134	46.18%	171	100.00%	141	100.00%	68
SkyLuxe On The Park Residences	467	100.00%	10	100.00%	-	100.00%	-	100.00%	-
Mixed development									
SkyAwani Residences	1,264	100.00%	1	100.00%	21	100.00%	-	100.00%	-
SkyAwani II Residences	741	100.00%	8	100.00%	1	100.00%	2	100.00%	3

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021 compared to FYE 2020**

Revenue from our property development segment declined by RM12.16 million or 2.43% to RM488.20 million in FYE 2021 (FYE 2020: RM500.36 million). This was mainly attributed to the following:

- a decrease in revenue from the serviced apartment developments by RM132.33 million or 63.75% to RM75.25 million in FYE 2021 (FYE 2020: RM207.58 million) mainly due to the completion and issuance of vacant possession of SkyLuxe On The Park Residences and the said serviced apartment development was the main revenue contributor in the previous FYE 2020. In FYE 2020, the main revenue contributor from the serviced apartment developments was SkyLuxe On The Park Residences which accounted for 34.11% (RM178.72 million) in FYE 2020.
- a decrease in revenue from the mixed developments by RM70.04 million or 98.38% to RM1.16 million in FYE 2021 (FYE 2020: RM71.20 million), mainly due to the completion and issuance of vacant possession of a mixed development of affordable residential and commercial properties namely SkyAwani II Residences. The said mix development was the main revenue contributor in the previous FYE 2020. In FYE 2020, the main revenue contributor from the mixed developments was SkyAwani II Residence which accounted for 13.12% (RM68.71 million) in FYE 2020.

The decline was partially moderated by the increase in revenue from the apartment / condominium developments, which increased by RM190.21 million or 85.84% to RM411.80 million in FYE 2021 (FYE 2020: RM221.59 million), mainly contributed by the apartment / condominium developments, namely SkyAwani III Residences and SkyAwani IV Residences. This was mainly due to the increase in the percentage of completion for SkyAwani III Residences from 27.57% in FYE 2020 to 65.24% in FYE 2021 and SkyAwani IV Residences from 7.87% in FYE 2020 to 21.77% in FYE 2021. The revenue contribution of SkyAwani III Residences and SkyAwani IV Residences accounted for 44.54% (RM217.74 million) and 20.30% (RM99.25 million) for the FYE 2021 respectively.

As for FYE 2020, the main revenue contributor from the apartment / condominium developments were Bennington Residences and SkyAwani III Residences which accounted for 20.44% (RM107.06 million) and 17.66% (RM92.52 million) in FYE 2020.

Our development activities also increased progressively upon the easing of the COVID-19 containment measures by the government in the second half of FYE 2021. Meanwhile, the progress of our construction activities also increased in FYE 2021 with a higher proportion of work done. With the easing of containment measures, our sales and marketing activities also picked up, mainly driven by our digital marketing and promotional activities.

The revenue from our other segment decreased by RM22.91 million or 97.46% to RM0.60 million in FYE 2021 (FYE 2020: RM23.50 million) and the decline was mainly attributed to the completion of the physical construction of a sports complex construction in the previous FYE 2020 pursuant to the Land Swap Agreement. The CCC of the sports complex was subsequently obtained in December 2021.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2022 compared to FYE 2021**

The revenue from our property development increased by RM302.17 million or 61.89% to RM790.37 million in FYE 2022 (FYE 2021: RM488.20 million). This was mainly attributed to the following:

- an increase in revenue from the serviced apartment development by RM144.77 million or 192.39% to RM220.02 million in FYE 2022 (FYE 2021: RM75.25 million) which was driven by the increase in progress of our construction activities for a serviced apartment development, namely SkyMeridien Residences.
- an increase in revenue from the apartment / condominium developments by RM133.72 million or 32.47% to RM545.52 million in FYE 2022 (FYE 2021: RM411.80 million), which was mainly driven by the increase in progress of our construction activities for various apartment developments including SkySierra Residences (The Valley), SkyAwani IV Residences and SkyAwani V Residences, and coupled with the increase in sales of properties from two on-going apartment / condominium developments, namely SkyVogue Residences and EdgeWood Residences.
- an increase in revenue from the mixed developments by RM23.68 million to RM24.84 million in FYE 2022 (FYE 2021: RM1.16 million), mainly contributed by the sales of 18 units of completed shop units from a completed mixed development, namely commercial properties from SkyAwani Residences.

The increase in revenue was offset by the decrease in revenue from the others segment where management services declined by RM0.53 million or 88.61% to RM0.07 million (FYE 2021: RM0.60 million). This was mainly due to handover of the property management of the Bennington Residences to the residents' management committee.

FPE 2023 compared to FPE 2022

Revenue from our property development segment increased by RM65.99 million or 12.02% to RM614.91 million in FPE 2023 (FPE 2022: RM548.92 million).

The increase was mainly attributed to an increase in revenue from apartment / condominium developments by RM183.56 million to RM570.17 million for the FPE 2023 (FPE 2022: RM386.61 million). This was mainly driven by the increase in progress of our construction activities coupled with additional units sold for various apartment developments during the FPE 2023 including SkySierra Residences (The Valley), EdgeWood Residences and SkyVogue Residences, as well as the increase in progress of construction activities of developments for SkyAwani IV Residences and SkyAwani V Residences.

The increase was partially offset by the decrease in revenue from serviced apartment developments by RM111.12 million or 73.92% to RM39.20 million for the FPE 2023 (FPE 2022: RM150.32 million), which was due to the completion of SkyMeridien Residences and the said serviced apartment development was the main revenue contributor in the previous FPE 2022. In addition, the increase was partially offset by the decrease in revenue from mixed development by RM6.44 million or 53.74% to RM5.55 million for the FPE 2023 (FPE 2022: RM11.99 million) due to the lower number of completed units sold for the FPE 2023.

Revenue from the others segment increased by RM0.50 million to RM0.55 million in FPE 2023 (FPE 2022: RM0.05 million) mainly contributed by revenue from the e-commerce platform, namely Solution Plus (Solution+), that was launched in March 2022 where we receive a commission based on products and services transacted on the platform.

12. FINANCIAL INFORMATION (CONT'D)

Solution+ is an additional module within our SkyConnects mobile application, which connects SkyWorld homeowners with third party product and service providers such as interior design, renovations, furniture, home appliances, telecommunications subscription services, home movers and other services.

(iv) Revenue segmentation by geographical market

For the Financial Years Under Review and FPE 2023, all of our revenue was derived from FT Kuala Lumpur, Malaysia.

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12. FINANCIAL INFORMATION (CONT'D)

12.3.5 Cost of sales

(i) Cost of sales by components

Cost of sales	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction costs ⁽¹⁾	289,976	84.01	276,821	82.11	426,313	78.83	286,608	75.02	322,744	77.81
Land and associated costs ⁽²⁾	9,790	2.84	28,500	8.45	54,360	10.05	44,209	11.57	44,658	10.77
Professional fees ⁽³⁾	9,651	2.80	11,884	3.52	21,359	3.95	14,790	3.87	15,743	3.80
Authority related fees ⁽⁴⁾	15,368	4.45	10,301	3.06	18,415	3.40	12,303	3.22	17,573	4.24
Other development costs ⁽⁵⁾	20,354	5.90	9,627	2.86	20,383	3.77	24,111	6.32	14,072	3.38
Total	345,139	100.00	337,133	100.00	540,830	100.00	382,021	100.00	414,790	100.00

Notes:

- (1) Include building construction cost, foundation construction costs and infrastructure cost such as road construction.
- (2) Land cost comprises the land purchase price and other associated costs including, land conversion and submission costs, land premium, stamp duties, bank charges and commission, and other relevant levies.
- (3) Professional fees comprise fees for the architects, town planners, surveyors, engineers and other professionals.
- (4) Include authority related fees such as fees for development order, building plans, APDL and other submission documents.
- (5) Comprise mainly funding costs, sales related and other direct costs.

12. FINANCIAL INFORMATION (CONT'D)

(ii) Cost of sales by business activities

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Cost of sales										
Property development	311,123	90.15	336,584	99.84	542,410	100.29	382,021	100.00	414,724	99.98
Developments in progress	291,366	84.42	321,203	95.28	529,295	97.86	373,878	97.87	382,305	92.16
Sales of completed units	19,757	5.73	15,381	4.56	13,115	2.43	8,143	2.13	32,419	7.82
Others	34,016	9.85	549	0.16	(1,580)	(0.29)	-	-	66	0.02
Management services	1,802	0.52	549	0.16	-	-	-	-	-	-
Construction	32,214	9.33	-	-	⁽¹⁾ (1,580)	(0.29)	-	-	⁽²⁾ (92)	(0.02)
E-commerce platform	-	-	-	-	-	-	-	-	158	0.04
Total	345,139	100.00	337,133	100.00	540,830	100.00	382,021	100.00	414,790	100.00

Notes:

- (1) This was a reversal of the provisional cost pertaining to the construction of a sports complex in the prior financial years mainly pertaining to authority contributions provided which were waived subsequently.
- (2) This was a reversal of provisional cost mainly pertaining to the finalisation of consultant fees for the construction of a sports complex in the prior financial years.

12. FINANCIAL INFORMATION (CONT'D)

(iii) Cost of sales by types of developments

Cost of sales	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Property development	311,123	90.15	336,584	99.84	542,410	100.29	382,021	100.00	414,724	99.98
Apartment / condominium	142,493	41.29	284,709	84.45	389,790	72.07	274,517	71.86	384,160	92.62
Serviced apartment	124,105	35.96	55,324	16.41	146,927	27.17	104,784	27.43	28,937	6.98
Mixed development	44,525	12.90	⁽¹⁾ (3,449)	(1.02)	5,693	1.05	2,720	0.71	1,627	0.38
Others	34,016	9.85	549	0.16	(1,580)	(0.29)	-	-	66	0.02
Management services	1,802	0.52	549	0.16	-	-	-	-	-	-
Construction	32,214	9.33	-	-	⁽²⁾ (1,580)	(0.29)	-	-	⁽³⁾ (92)	(0.02)
E-commerce platform							-	-	158	0.04
Total	345,139	100.00	337,133	100.00	540,830	100.00	382,021	100.00	414,790	100.00

Notes:

- (1) Mainly comprises a negative cost of sales amounting to RM4.33 million attributed to a completed mixed development, SkyAwani Residences arising from a reversal adjustment due to over accrual of development cost in prior financial years.
- (2) Refers to the reversal of the provisional cost pertaining to the construction of the sports complex in the prior financial years as mentioned above.
- (3) Refers to the reversal of provisional cost mainly pertaining to the finalisation of consultant fees for the construction of a sports complex in the prior financial years.

12. FINANCIAL INFORMATION (CONT'D)
(iv) Cost of sales by developments

Cost of sales by developments	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Property development	311,123	90.15	336,584	99.84	542,410	100.29	382,021	100.00	414,724	99.98
Apartment / condominium	142,493	41.29	284,709	84.45	389,790	72.07	274,517	71.86	384,160	92.62
<i>SkySierra Residences (The Valley)</i>	7,636	2.21	38,218	11.34	120,540	22.29	75,805	19.84	163,551	39.43
<i>SkyAwani III Residences</i>	68,689	19.90	151,510	44.94	106,214	19.64	96,925	25.37	26,774	6.46
<i>SkyAwani IV Residences</i>	6,661	1.93	63,391	18.80	89,188	16.49	46,748	12.24	90,862	21.91
<i>EdgeWood Residences</i>	-	-	-	-	25,104	4.64	20,777	5.44	42,191	10.17
<i>SkyAwani V Residences</i>	-	-	10,156	3.01	23,440	4.33	16,163	4.23	41,469	10.00
<i>SkyVogue Residences</i>	-	-	2,852	0.85	18,655	3.45	12,676	3.32	15,734	3.79
<i>Bennington Residences</i>	59,931	17.37	18,613	5.52	6,667	1.23	5,423	1.42	3,579	0.86
<i>Ascenda Residences</i>	⁽¹⁾ (424)	(0.12)	⁽¹⁾ (31)	(0.01)	⁽¹⁾ (18)	-	-	-	-	-
Serviced apartment	124,105	35.96	55,324	16.41	146,927	27.17	104,784	27.43	28,937	6.98
<i>SkyMeridien Residences</i>	21,571	6.25	55,324	16.41	155,781	28.81	111,979	29.31	28,969	6.99
<i>SkyLuxe On The Park Residences</i>	102,534	29.71	-	-	⁽²⁾ (8,854)	(1.64)	⁽⁶⁾ (7,195)	(1.88)	⁽⁶⁾ (32)	(0.01)
Mixed development	44,525	12.90	⁽³⁾ (3,449)	(1.02)	5,693	1.05	2,720	0.71	1,627	0.38
<i>SkyAwani Residences</i>	1,088	0.32	⁽³⁾ (3,589)	(1.06)	6,534	1.21	3,270	0.85	1,283	0.30
<i>SkyAwani II Residences</i>	43,437	12.58	140	0.04	⁽⁴⁾ (841)	(0.16)	⁽⁷⁾ (550)	(0.14)	344	0.08
Others	34,016	9.85	549	0.16	(1,580)	(0.29)	-	-	66	0.02
Management services	1,802	0.52	549	0.16	-	-	-	-	-	-
Construction	32,214	9.33	-	-	⁽⁵⁾ (1,580)	(0.29)	-	-	⁽⁸⁾ (92)	(0.02)
E-commerce platform	-	-	-	-	-	-	-	-	158	0.04
Total	345,139	100.00	337,133	100.00	540,830	100.00	382,021	100.00	414,790	100.00

12. FINANCIAL INFORMATION (CONT'D)

Notes:

- (1) *For Ascenda Residences, the negative cost of sales for the Financial Years Under Review and were primarily arising from the reversal of provisional costs in the prior financial years as follows:*
 - *In FYE 2020, the negative cost of sales arising from a reversal adjustment due to over accrual of development cost in prior financial years;*
 - *In FYE 2021, the negative cost of sales arising from a reversal of the overprovision of sales incentives and referral cost; and*
 - *In FYE 2022, the negative cost of sales arising from a reversal of GST from a refundable deposit which was previously contra with the main contractor.*
- (2) *For SkyLuxe On The Park Residences, there was a negative cost of sales arising from the reversal adjustment due to over accrual of development cost in prior financial years.*
- (3) *For SkyAwani Residences, there was a negative cost of sales arising from a reversal adjustment due to over accrual of development cost in prior financial years.*
- (4) *For SkyAwani II Residences, there was a negative cost of sales of approximately arising from reversal adjustment amounting to RM0.83 million due to over accrual of development cost in prior financial years and adjustments amounting to RM0.01 million arising from reallocation of inventory cost.*
- (5) *Refers to the reversal of the provisional cost pertaining to the construction of the sports complex in the prior financial years.*
- (6) *For SkyLuxe On The Park Residences, there were negative cost of sales of RM7.20 million and RM0.03 million in FPE 2022 and FPE 2023 respectively. This was mainly due to the reversal of provisional cost pertaining to the finalisation of main building construction costs for FPE 2022 and consultant fees for FPE 2023.*
- (7) *For SkyAwani II Residences, there was a negative cost of sales arising from the reversal of property development cost amounting to RM0.46 million resulting from savings on main building works and adjustment amounting to RM0.01 million arising from the overprovision of referral fee.*
- (8) *Refers to the reversal of provisional cost mainly pertaining to the finalisation of consultant fees for the construction of a sports complex in the prior financial years.*

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021 compared to FYE 2020**

For FYE 2021, our cost of sales decreased by RM8.01 million or 2.32% to RM337.13 million (FYE 2020: RM345.14 million) was mainly attributed to the decrease in the cost of sales from other segments by RM33.47 million pertaining to the construction of a sports complex where the physical construction was completed in FYE 2020 with a construction cost of RM32.21 million recognised in FYE 2020. The CCC of the sports complex was subsequently obtained in December 2021.

The decrease was partially moderated by the increase in the cost of sales from the property development segment by RM25.46 million or 8.18% to RM336.58 million in FYE 2021 (FYE 2020: RM311.12 million). This was contributed by the higher cumulative sales and higher construction progress during FYE 2021 for SkyMeridien Residences, SkySierra Residences (The Valley), SkyAwani III Residences and SkyAwani IV Residences.

This was in light of the development activities which were picked up progressively upon the easing of the containment measures in the second half of FYE 2021, including the progress of construction activities which also increased with a higher proportion of works done.

FYE 2022 compared to FYE 2021

For FYE 2022, our cost of sales increased by RM203.70 million or 60.42% to RM540.83 million (FYE 2021: RM337.13 million) was attributed to higher cumulative sales and higher construction progress during the financial year for SkyMeridien Residences, SkySierra Residences (The Valley) and SkyAwani III Residences.

The increase was also partially attributed to the cost of sales arising from the increase in sales of properties from two on-going apartment / condominium developments, namely SkyVogue Residences and EdgeWood Residences where EdgeWood Residences was launched during the FYE 2022.

FPE 2023 compared to FPE 2022

Our cost of sales increased by RM32.77 million or 8.58% to RM414.79 million in FPE 2023 (FPE 2022: RM382.02 million) was mainly attributed to apartment / condominium developments. The cost of sales of apartment / condominium developments increased by RM109.64 million to RM384.16 million in FPE 2023 (FPE 2022: RM274.52 million). This was mainly contributed by the higher cumulative sales and higher construction progress during FPE 2023 for SkySierra Residences (The Valley), EdgeWood Residences, SkyVogue Residences, SkyAwani IV Residences and SkyAwani V Residences.

The increase was partially offset by the decrease in the cost of sales from the serviced apartment development by RM75.85 million or 72.38% to RM28.94 million in FPE 2023 (FPE 2022: RM104.78 million) mainly due to the completion of SkyMeridien Residences in February 2022.

In addition, the increase was partially offset by the decrease in the cost of sales from the mixed development including SkyAwani Residences and SkyAwani II Residences by RM1.09 million or 40.18% to RM1.63 million in FPE 2023 (FPE 2022: RM2.72 million) due to the lower number of completed units sold for the FPE 2023.

12. FINANCIAL INFORMATION (CONT'D)

12.3.6 Gross profit ("GP")

Our total GP grew at a CAGR of 18.18% from RM178.72 million in FYE 2020 to RM249.61 million in FYE 2022. Our overall GP margin decreased from 34.12% in FYE 2020 to 31.03% in FYE 2021 before recovering slightly to 31.58% in FYE 2022.

Performance of our GP margin may be affected by, among others, the following factors:

- (i) market demand, sales volume and price of properties in FT Kuala Lumpur including type and price range of properties that are being offered and launched;
- (ii) changes in the preference of the types of properties and affordability which may affect the take-up rate of our properties;
- (iii) changes in development costs which comprises construction cost, land and associated costs, professional fees, authority fees and others that may affect our profitability;
- (iv) ability to complete the development and handover the completed properties to buyers in a timely manner as stipulated in the agreement; and
- (v) other operating conditions such as operations affected due to various containment measures implemented by the government during the COVID-19 pandemic as well as the facilitation of marketing and promotional activities.

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12. FINANCIAL INFORMATION (CONT'D)

(i) GP and GP margin segmentation by business activities

GP and GP margin	FYE 2020			FYE 2021			FYE 2022			FPE 2022			FPE 2023		
	GP RM'000	%	GP Margin	GP RM'000	%	GP Margin	GP RM'000	%	GP Margin	GP RM'000	%	GP Margin	GP RM'000	%	GP Margin
Property development	189,234	105.88	37.82	151,616	99.97	31.06	247,959	99.34	31.37	166,902	99.97	30.41	200,189	99.76	32.56
Sales of developments in progress	180,437	100.96	38.24	147,777	97.44	31.51	228,420	91.51	30.15	156,613	93.81	29.52	183,511	91.45	32.43
Inventory sales of completed properties	8,797	4.92	30.81	3,839	2.53	19.97	19,539	7.83	59.84	10,289	6.16	55.82	16,678	8.31	33.97
Others	(10,513)	(5.88)	(44.73)	48	0.03	8.04	1,648	0.66	#	52	0.03	100.00	482	0.24	87.96
Management services	73	0.04	3.89	48	0.03	8.04	68	0.03	100.00	52	0.03	100.00	37	0.02	100.00
Construction	⁽¹⁾ (10,586)	(5.92)	(48.95)	-	-	-	⁽²⁾ 1,580	0.63	⁽²⁾ -	-	-	-	⁽³⁾ 92	0.04	⁽³⁾ -
E-commerce platform	-	-	-	-	-	-	-	-	-	-	-	-	353	0.18	69.08
Total	178,721	100.00	34.12	151,664	100.00	31.03	249,607	100.00	31.58	166,954	100.00	30.41	200,671	100.00	32.60

Notes:

- (1) Gross loss from the construction of a sports complex pursuant to the Land Swap Agreement.
- (2) For FYE 2022, there was no revenue for the construction segment. However, there was a gross profit from the construction arising from a reversal of the provisional cost pertaining to the construction of a sports complex in the prior financial years mainly pertaining to authority contributions provided which was waived subsequently.
- (3) For FPE 2023, there was no revenue for the construction segment. However, there was a gross profit for the construction segment arising from the reversal of provisional cost mainly pertaining to the finalisation of consultant fees for the construction of a sports complex in the prior financial years.
- # More than 100.00% for others where the GP consists of management services and construction. As for the construction segment, there was a reversal of the cost of construction mentioned above and no revenue for FYE 2022 hence the GP margin is more than 100.00%.

12. FINANCIAL INFORMATION (CONT'D)

(ii) GP and GP margin by types of developments

GP and margin	GP	FYE 2020			FYE 2021			FYE 2022			FPE 2022			FPE 2023		
		GP RM'000	GP %	GP Margin	GP RM'000	GP %	GP Margin	GP RM'000	GP %	GP Margin	GP RM'000	GP %	GP Margin	GP RM'000	GP %	GP Margin
Property development		189,234	105.88	37.82	151,616	99.97	31.06	247,959	99.34	31.37	166,902	99.97	30.41	200,189	99.76	32.56
Apartment condominium	/	79,093	44.25	35.69	127,088	83.79	30.86	155,726	62.39	28.55	112,094	67.14	28.99	186,009	92.69	32.62
Serviced apartment		83,470	46.71	40.21	19,923	13.14	26.48	73,091	29.28	33.22	45,536	27.27	30.29	10,259	5.12	26.17
Mixed development		26,671	14.92	37.46	4,605	3.04	(1) #	19,142	7.67	77.08	9,272	5.56	77.32	3,921	1.95	70.67
Others		(10,513)	(5.88)	(44.73)	48	0.03	8.04	1,648	0.66	#	52	0.03	100.00	482	0.24	87.96
Management services		73	0.04	3.89	48	0.03	8.04	68	0.03	100.00	52	0.03	100.00	37	0.02	100.00
Construction	(2)	(10,586)	(5.92)	(48.95)	-	-	-	(3)1,580	0.63	(3)-	-	-	-	(4) 92	0.04	(4) -
E-commerce platform		-	-	-	-	-	-	-	-	-	-	-	-	353	0.18	69.08
Total		178,721	100.00	34.12	151,664	100.00	31.03	249,607	100.00	31.58	166,954	100.00	30.41	200,671	100.00	32.60

Notes:

- (1) *Mainly comprises a negative cost of sales amounting to RM4.33 million attributed to a completed mixed development, SkyAwani Residences, arising from a reversal adjustment due to over accrual of development cost in prior financial years.*
 - (2) *Gross loss from the construction of a sports complex pursuant to the Land Swap Agreement.*
 - (3) *For FYE 2022, there was no revenue for the construction segment. However, there was a gross profit from the construction arising from a reversal of the provisional cost pertaining to the construction of a sports complex in the prior financial years mainly pertaining to authority contributions provided which was waived subsequently.*
 - (4) *For FPE 2023, there was no revenue for the construction segment. However, there was a gross profit for the construction segment arising from the reversal of provisional cost mainly pertaining to the finalisation of consultant fees for the construction of a sports complex in the prior financial years.*
- # *More than 100.00% for others where the GP consists of management services and construction. As for the construction segment, there was a reversal of the cost of construction mentioned above and no revenue for FYE 2022 hence the GP margin is more than 100.00%.*

12. FINANCIAL INFORMATION (CONT'D)

(iii) GP and GP margin by developments

GP and GP margin by developments	FYE 2020			FYE 2021			FYE 2022			FPE 2022			FPE 2023		
	GP RM'000	%	GP Margin	GP RM'000	%	GP Margin	GP RM'000	%	GP Margin	GP RM'000	%	GP Margin	GP RM'000	%	GP Margin
Property development	189,234	105.88	37.82	151,616	99.97	31.06	247,959	99.34	31.37	166,902	99.97	30.41	200,189	99.76	32.56
Apartment condominium /	79,093	44.25	35.69	127,088	83.79	30.86	155,726	62.39	28.55	112,094	67.14	28.99	186,009	92.69	32.62
SkySierra Residences (The Valley)	3,534	1.98	31.64	21,934	14.46	36.46	50,349	20.17	29.46	32,239	19.31	29.84	82,822	41.27	33.62
SkyAwani Residences III	23,829	13.33	25.76	66,227	43.67	30.42	43,570	17.46	29.09	36,640	21.95	27.43	19,027	9.48	41.54
SkyAwani Residences IV	4,099	2.29	38.09	35,858	23.64	36.13	37,032	14.84	29.34	26,154	15.67	35.88	49,465	24.65	35.25
EdgeWood Residences	-	-	-	-	-	-	10,731	4.30	29.95	7,300	4.37	26.00	16,765	8.35	28.44
SkyAwani Residences V	-	-	-	2,390	1.58	19.05	4,678	1.87	16.64	3,661	2.19	18.47	9,298	4.63	18.32
SkyVogue Residences	-	-	-	1,189	0.78	29.42	8,196	3.28	30.52	5,082	3.04	28.62	7,845	3.91	33.27
Bennington Residences	47,127	26.37	44.02	(527)	(0.35)	(2.91)	1,152	0.46	14.73	1,018	0.61	15.80	787	0.40	18.03
Ascenda Residences	(1) 504	0.28	(1) -	(1) 17	0.01	(1) -	18	0.01	(1) -	-	-	-	-	-	-
Serviced apartment	83,470	46.71	40.21	19,923	13.14	26.48	73,091	29.28	33.22	45,536	27.27	30.29	10,259	5.12	26.17
SkyMeridien Residences	7,289	4.08	25.26	19,923	13.14	26.48	64,237	25.73	29.20	38,341	22.97	25.51	10,227	5.10	26.09
SkyLuxe On The Park Residences	76,181	42.63	42.63	-	-	-	8,854	3.55	(3) -	(6) 7,195	4.30	(6) -	(6) 32	0.02	(6) -

12. FINANCIAL INFORMATION (CONT'D)

GP and GP margin by developments	FYE 2020			FYE 2021			FYE 2022			FPE 2022			FPE 2023		
	GP RM'000	%	GP Margin	GP RM'000	%	GP Margin	GP RM'000	%	GP Margin	GP RM'000	%	GP Margin	GP RM'000	%	GP Margin
Mixed development	26,671	14.92	37.46	4,605	3.04	⁽²⁾ #	19,142	7.67	77.07	9,272	5.56	77.32	3,921	1.95	70.67
<i>SkyAwani Residences</i>	1,401	0.78	56.29	⁽²⁾ 4,469	2.95	⁽²⁾ #	18,271	7.32	73.66	8,692	5.21	72.66	3,581	1.78	73.62
<i>SkyAwani Residences</i> //	25,270	14.14	36.78	136	0.09	49.28	871	0.35	⁽⁴⁾ #	580	0.35	*	340	0.17	49.71
Others	(10,513)	(5.88)	(44.73)	48	0.03	8.04	1,648	0.66	#	52	0.03	100.00	482	0.24	87.96
Management services	73	0.04	3.89	48	0.03	8.04	68	0.03	100.00	52	0.03	100.00	37	0.02	100.00
Construction ⁽¹⁾	(10,586)	(5.92)	(48.95)	-	-	-	1,580	0.63	⁽⁵⁾ -	-	-	-	⁽⁷⁾ 92	0.04	⁽⁷⁾ -
E-commerce platform										-	-	-	353	0.18	69.08
Total	178,721	100.00	34.12	151,664	100.00	31.03	249,607	100.00	31.58	166,954	100.00	30.41	200,671	100.00	32.60

Notes:

- (1) *For Ascenda Residences, there were negative cost of sales for the Financial Years Under Review and were primarily arising from the reversal of provisional costs in the prior financial years as follows:*
- *In FYE 2020, the negative cost of sales amounting to approximately RM0.42 million for FYE 2020 arising from a reversal adjustment due to over accrual of development cost in prior financial years;*
 - *In FYE 2021, the negative cost of sales amounting to RM0.03 million for FYE 2021 arising from a reversal of the overprovision of sales incentives and referral cost; and*
 - *In FYE 2022, the negative cost of sales amounting to RM0.02 million arising from a reversal of GST from a refundable deposit which was previously contra with the main contractor.*
- (2) *For SkyAwani Residences, there was a negative cost of sales of approximately RM3.59 million for FYE 2021 arising from a reversal adjustment due to over accrual of development cost in prior financial years.*
- (3) *For SkyLuxe On The Park Residences, there was a negative cost of sales of RM8.85 million for FYE 2022 arising from the reversal adjustment due to over accrual of development cost in prior financial years.*

12. FINANCIAL INFORMATION (CONT'D)

- (4) *For SkyAwani II Residences, there was a negative cost of sales of approximately RM0.84 million in FYE 2022 arising from reversal adjustment amounting to RM0.83 million due to over accrual of development cost in prior financial years and adjustments amounting to RM0.01 million arising from reallocation of inventory cost.*
- (5) *For FYE 2022, there was no revenue for the construction segment. However, there was a gross profit from the construction arising from a reversal of the provisional cost pertaining to the construction of the sports complex in the prior financial years mainly pertaining to authority contributions provided which was waived subsequently.*
- (6) *For SkyLuxe on The Park Residences, there was no revenue in FPE 2022 and FPE 2023. However, there were gross profits arising from the negative cost of sales amounting to RM7.20 million and RM0.03 million in FPE 2022 and FPE 2023 respectively. This was mainly due to the reversal of provisional cost mainly pertaining to the finalisation of main building construction costs for FPE 2022 and consultant fees for FPE 2023.*
- (7) *For FPE 2023, there was no revenue for the construction segment. However, there was a gross profit for the construction segment arising from the reversal of provisional cost mainly pertaining to the finalisation of consultant fees for the construction of a sports complex in the prior financial years.*
- # *More than 100.00% for others where the GP consists of management services and construction. As for the construction segment, there was a reversal of the cost of construction mentioned above and no revenue for FYE 2022 hence the GP margin is more than 100.00%.*
- * *For SkyAwani II Residences, there was a negative cost of sales arising from the reversal of property development cost amounting to RM0.46 million resulting from savings on main building works and adjustment amounting to RM0.01 million arising from the overprovision of referral fee. Hence the GP margin is more than 100.00%.*

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021 compared to FYE 2020**

Our overall GP declined by RM27.06 million or 15.14% to RM151.66 million in FYE 2021 (FYE 2020: RM178.72 million), which was mainly attributed to the following:

- a decrease in GP from the serviced apartment developments by RM63.55 million or 76.13% to RM19.92 million in FYE 2021 (FYE 2020: RM83.47 million), mainly attributed to the completion of a serviced apartment development, namely SkyLuxe On The Park Residences as the said development was the main GP contributor in the previous FYE 2020. This was also in line with the decrease in revenue by 63.75% from the serviced apartment developments segment in FYE 2021.
- a decrease in GP from the mixed developments by RM22.07 million or 82.73% to RM4.61 million in FYE 2021 (FYE 2020: RM26.67 million), mainly attributed to the completion of a mixed development of affordable residential and commercial properties namely SkyAwani II Residences. The said mix development was the main GP contributor in the previous FYE 2020. This was also reflected in the decrease in revenue by 98.38% from the mixed developments segment in FYE 2021.

The decline in GP was partially moderated by the increase in GP from the apartment / condominium developments, which increased by RM48.00 million or 60.69% to RM127.09 million in FYE 2021 (FYE 2020: RM79.09 million), mainly contributed by the apartment / condominium developments, including SkyAwani III Residences, SkyAwani IV Residences and SkySierra Residences (The Valley). This was also reflected in the increase in revenue by 85.84% from this type of development in FYE 2021 as our development activities also increased progressively upon the easing of the containment measures in the second half of FYE 2021.

As for FYE 2020, there was a gross loss of RM10.59 million from the construction of the sports complex pursuant to the Land Swap Agreement. This was mainly due to the additional scope of work for the enhancement of the sport complex which comprises the installation of solar power systems as well as the cost incurred for green building index assessment at an additional cost of RM6.54 million. In addition, there were cost incurred for statutory contribution and finance cost which amounted to RM4.57 million.

Our overall GP margin decreased from 34.12% in FYE 2020 to 31.03% in FYE 2021 mainly due to a decline in GP margin from the property development segment from 37.82% in FYE 2020 to 31.06% in FYE 2021. This was mainly attributed to the following:

- a decline in GP margin from the serviced apartment developments segment which declined from 40.21% in FYE 2020 to 26.48% in FYE 2021 arising from the completion of a high margin development, namely SkyLuxe On The Park Residences in FYE 2020 as the said development was the main GP contributor in the previous FYE 2020 as mentioned earlier.
- a decline in GP margin from the apartment / condominium developments which declined from 35.69% in FYE 2020 to 30.86% in FYE 2021 mainly attributed to inventory sales of completed properties from Bennington Residences associated with the HouzKEY 2.0 programme. The decrease in GP margin is attributed to the adoption of accounting policy in recognition of the revenue sold under the HouzKEY 2.0 programme based on the framework agreements with Maybank Islamic Berhad. The revenue for these sold properties was not fully recognised while the development cost was fully recognised upon completion of the development. The remaining unrecognised portion of revenue is dependent on the occurrence or non-occurrence of a future event that is not substantially within the control as it is subject to the customers exercising the option to purchase the unit.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2022 compared to FYE 2021**

Our overall GP increased by RM97.94 million or 64.58% to RM249.61 million in FYE 2022 (FYE 2021: RM151.66 million) mainly contributed by the higher GP contribution from the property development segment, which was in line with the revenue growth of 61.71% in FYE 2022.

The GP from our property development segment increased by RM96.34 million or 63.54% to RM247.96 million in FYE 2022 (FYE 2021: RM151.62 million), mainly attributed to the following:

- an increase in GP from the serviced apartment development by RM53.17 million to RM73.09 million in FYE 2022 (FYE 2021: RM19.92 million), mainly derived from the GP contribution from a serviced apartment development, namely SkyMeridien Residences arising from the increase in progress of our construction activities. This was also reflected in the increase in revenue by 192.39% from the serviced apartment developments segment in FYE 2022.
- an increase in GP from the apartment / condominium developments by RM28.64 million or 22.53% to RM155.73 million in FYE 2022 (FYE 2021: RM127.09 million), mainly attributed to GP contribution from various apartment developments including SkySierra Residences (The Valley), SkyAwani IV Residences and SkyAwani V Residences arising from the increase in progress of our construction activities as well as partly contributed by GP from two other apartment / condominium developments, namely SkyVogue Residences and EdgeWood Residences due to the increase in sales of properties. This was also reflected in the increase in revenue by 32.47% from the said type of developments segment in FYE 2022.
- an increase in GP from the mixed developments by RM14.54 million to RM19.14 million in FYE 2022 (FYE 2021: RM4.61 million) mainly contributed by the GP from the sales of completed shop units from a mixed development, namely SkyAwani Residences which was completed in 2018.

Our overall GP margin increased from 31.03% in FYE 2021 to 31.58% in FYE 2022, mainly

- improvement in GP margin from the serviced apartment developments, from 26.48% in FYE 2021 to 33.22% in FYE 2022, was mainly attributed to improvement in GP margin from a development, namely SkyMeridien Residences with a higher revenue contribution driven by the increase in progress of our construction activities as well as revised budgeted development cost pertaining to saving in the construction and finance cost which had contributed to the improvement in GP margin. In addition, there was a reversal of development cost amounting to RM8.85 million for a completed development, namely SkyLuxe On The Park Residences arising from over accrual of development cost in prior financial years.
- a significant increase in GP margin to 77.07% for mixed development in FYE 2022 mainly driven by the inventory sales of relatively high margin commercial units from a mixed development, namely SkyAwani Residences where the completed commercial units were able to command a high price then.

12. FINANCIAL INFORMATION (CONT'D)**FPE 2023 compared to FPE 2022**

Our overall GP increased by RM33.72 million or 20.20% to RM200.67 million in FPE 2023 (FPE 2022: RM166.95 million) was mainly contributed by the higher GP contribution from the property development segment, which was resulted from the growth of revenue by 12.02% in FPE 2023.

The increase in GP was mainly attributed to an increase in GP from the apartment / condominium developments by RM73.92 million to RM186.01 million for the FPE 2023 (FPE 2022: RM112.09 million), mainly contributed by various developments including SkySierra Residences (The Valley), SkyAwani IV Residences, EdgeWood Residences, SkyVogue Residences and SkyAwani V Residences arising from the increase in progress of our construction activities and additional units sold from some of the developments. This was also reflected in the increase in revenue from the apartment / condominium developments by RM183.56 million to RM570.17 million in FPE 2023 (FPE 2022: RM386.61 million).

The increase was partially offset by the decrease in GP from the serviced apartment developments by RM35.28 million or 77.47% to RM10.26 million for the FPE 2023 (FPE 2022: RM45.54 million) mainly attributed to the completion of SkyMeridien Residences in February 2022. In addition, the increase was partially offset by the decrease in GP from mixed development by RM5.35 million or 57.72% to RM3.92 million for the FPE 2023 (FPE 2022: RM9.27 million) due to the lower number of completed units sold for the FPE 2023.

Our overall GP margin improved to 32.60% in the FPE 2023 (FPE 2022: 30.41%) mainly attributed to an improvement in GP margin from the apartment / condominium developments to 32.62% in FPE 2023 (FPE 2022: 28.99%). This was mainly driven by the improved GP margin of some developments namely SkySierra Residences (The Valley), EdgeWood Residences, SkyVogue Residences with a higher revenue contribution driven by the increase in progress of our construction activities as well as revised budgeted development cost pertaining to saving in the construction and finance cost which had contributed to the improvement in GP margin and coupled with additional units sold which result in higher revenue recognition during the FPE 2023.

Furthermore, the improvement in GP margin was partly contributed by a high GP margin of 69.08% from our e-commerce platform operation that launched in March 2022.

(iv) GP and GP margin by geographical market

For the Financial Years Under Review and FPE 2023, all of our GP and GP margin was derived from FT Kuala Lumpur, Malaysia.

12. FINANCIAL INFORMATION (CONT'D)

12.3.7 Other operating income

Other operating income	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income from fixed deposits	2,151	41.32	1,370	42.69	1,580	50.30	727	43.27	2,403	59.01
Sundry income ⁽¹⁾	928	17.83	535	16.67	828	26.36	461	27.50	598	14.71
Rental income	145	2.79	172	5.36	377	12.01	241	14.35	633	15.55
Forfeiture of deposits ⁽²⁾	562	10.79	1,132	35.28	328	10.44	249	14.82	425	10.44
Commission from provision of services	-	-	-	-	27	0.86	-	-	-	-
Realised gain on foreign exchange	-	-	-	-	1	0.03	1	0.06	12	0.29
Compensations ⁽³⁾	1,375	26.41	-	-	-	-	-	-	-	-
Gain on remeasuring to fair value of existing interest in the former associated companies on acquisition of control	45	0.86	-	-	-	-	-	-	-	-
Total	5,206	100.00	3,209	100.00	3,141	100.00	1,679	100.00	4,071	100.00

Notes:

- (1) Include mainly grants received from the PRIHATIN economic stimulus package for small and medium enterprises, refund of staff insurance from the insurance company pursuant to the resignation of staff and reversal of imputed interest entries.
- (2) Include mainly the deposits forfeited resulting from the cancellations pursuant to the signed SPA and administrative fees forfeited.
- (3) Refers to the compensation pertaining to LAD that we claimed from the piling contractor due to a delay in the completion of piling works for a development, namely SkyAwani II Residences.

12. FINANCIAL INFORMATION (CONT'D)

FYE 2021 compared to FYE 2020

Our other operating income decreased by RM2.00 million or 38.36% to RM3.21 million in FYE 2021 (FYE 2020: RM5.21 million), this was mainly attributed to the following:

- a decrease in compensation claims by RM1.38 million in FYE 2021 as there was LAD imposed to a piling contractor in FYE 2020 mainly due to their delay in completion of piling works for SkyAwani II Residences; and
- a decrease in interest income from fixed deposits of RM0.78 million in FYE 2021 due to lower fixed deposits placed with the licensed banks in FYE 2021.

FYE 2022 compared to FYE 2021

Our other income decreased by RM0.07 million or 2.12% to RM3.14 million in FYE 2022 (FYE 2021: RM3.21 million). This was mainly due to a decline in forfeiture of deposits as there was lower cancellation of SPA in FYE 2022 where the forfeiture of deposits from the cancellation of SPA declined by RM0.80 million to RM0.32 million in FYE 2022.

The decline was partially offset by the increase in interest income from fixed deposits due to higher fixed deposits placed during the FYE 2022 as well as sundry income and rental income.

FPE 2023 compared to FPE 2022

Our other operating income increased by RM2.39 million to RM4.07 million in FPE 2023 (FPE 2022: RM1.68 million) mainly attributed to the increase in interest income fixed deposits due to higher fixed deposits placed during the FPE 2023 as well as rental income from the leasing of commercial units in the SkyAwani II Residences.

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12. FINANCIAL INFORMATION (CONT'D)

12.3.8 Selling and marketing expenses

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Marketing costs ⁽¹⁾	2,855	29.27	7,661	58.65	5,758	53.56	3,902	61.40	2,260	30.08
Advertising costs	3,937	40.35	2,882	22.06	2,668	24.82	1,185	18.65	2,669	35.52
Consultant and agency related costs	580	5.95	1,725	13.21	1,212	11.27	764	12.02	1,305	17.37
Event and launching related cost	1,532	15.70	369	2.82	317	2.95	83	1.31	371	4.94
Others ⁽²⁾	852	8.73	426	3.26	796	7.40	421	6.62	909	12.09
Total	9,756	100.00	13,063	100.00	10,751	100.00	6,355	100.00	7,514	100.00

Notes:

- (1) *Include digital marketing cost (consist of website development and maintenance cost, social media lead generation cost as well as digital campaign related costs), printed marketing materials and scale model costs.*
- (2) *Other selling and marketing expenses include miscellaneous expenses incurred to hand over the property upon the issuances of vacant possession, costs of premium items and gifts, signboards and branding events.*

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021 compared to FYE 2020**

Our sales and marketing expenses increased by RM3.31 million or 33.90% to RM13.06 million in FYE 2021 (FYE 2020: RM9.76 million), mainly due to a higher marketing cost incurred in relation to digital marketing related costs for our property developments. In FYE 2021, we launched two developments namely SkyAwani V Residences and SkyVogue Residences. The marketing costs increased by RM4.81 million to RM7.66 million in FYE 2021 (FYE 2020: RM2.86 million).

The increase was also partially attributed to an increase in consultant and agency related costs by RM1.15 million to RM1.73 million in FYE 2021 (FYE 2020: RM0.58 million), mainly contributed by the increase in concept design fees for advertisement posts and video production as well as the cost incurred for digital marketing and promotional expenses.

FYE 2022 compared to FYE 2021

Our sales and marketing expenses decreased by RM2.31 million or 17.70% to RM10.75 million in FYE 2022 (FYE 2021: RM13.06 million), mainly attributed to a decrease in marketing costs arising from lower marketing activities as we launched one development (EdgeWood Residences) in FYE 2022 compared to two developments as mentioned above in FYE 2021. The decrease was also partly attributed to a favourable take up of the said developments launched in FYE 2021 which reduces the need for marketing activities. As at the LPD, the take up rates of SkyAwani V Residences and SkyVogue Residences were approximately 99% and 95% respectively. The marketing costs decreased by RM1.90 million or 24.84% to RM5.76 million in FYE 2022 (FYE 2021: RM7.66 million).

FPE 2023 compared to FPE 2022

Our sales and marketing expenses increased by RM1.16 million or 18.24% to RM7.51 million in FPE 2023 (FPE 2022: RM6.36 million), mainly attributed to higher advertising costs incurred in relation to advertisement on newspaper, magazine and billboard. The advertising costs increased by RM1.48 million to RM2.67 million in FPE 2023 (FPE 2022: RM1.19 million).

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12. FINANCIAL INFORMATION (CONT'D)

12.3.9 Administrative expenses

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs ⁽¹⁾	25,453	44.85	26,522	54.18	34,382	46.31	22,636	59.78	26,680	49.77
Directors' remuneration ⁽¹⁾	7,726	13.61	7,029	14.36	7,521	10.13	5,257	13.88	5,778	10.78
Penalty for late payment to landowner ⁽²⁾	-	-	-	-	5,881	7.92	-	-	4,311	8.04
Professional fees	2,472	4.36	2,602	5.31	5,766	7.77	1,906	5.03	5,198	9.70
Provision for Bumiputera quota penalty ⁽³⁾	-	-	-	-	3,434	4.63	-	-	759	1.42
Utilities, office upkeep and related expenses	1,821	3.21	2,909	5.94	2,554	3.44	1,792	4.73	2,067	3.86
Impairment losses on intangible assets ⁽⁴⁾	-	-	254	0.52	2,807	3.78	-	-	⁽⁴⁾ 693	1.29
Stamp duty, licence, quit rent and associated processing fees	2,766	4.87	1,234	2.52	1,948	2.62	876	2.31	761	1.42
Allowance of doubtful debts ⁽⁵⁾	5,966	10.51	100	0.20	1,830	2.47	-	-	⁽⁵⁾ (51)	(0.10)
Bank and financing facility related charges and fees	1,763	3.11	287	0.59	1,953	2.63	714	1.89	642	1.20
Depreciation ⁽⁶⁾	2,035	3.59	1,923	3.93	1,494	2.01	1,157	3.06	1,446	2.70
Rental expenses ⁽⁷⁾	741	1.31	847	1.73	1,129	1.52	821	2.17	890	1.66
Security services	951	1.68	1,053	2.15	1,033	1.39	682	1.80	590	1.10
Property management and related services	807	1.42	1,711	3.50	505	0.68	336	0.89	1,176	2.19
Penalties ⁽⁸⁾	1,877	3.31	513	1.05	125	0.17	567	1.50	150	0.28
Inventories of completed properties written down ⁽⁹⁾	1,416	2.50	-	-	-	-	-	-	-	-
Unrealised loss on foreign exchange	-	-	-	-	-	-	-	-	246	0.46
Others ⁽¹⁰⁾	958	1.67	1,966	4.02	1,874	2.53	1,122	2.96	2,270	4.23
Total	56,752	100.00	48,950	100.00	74,236	100.00	37,866	100.00	53,606	100.00

12. FINANCIAL INFORMATION (CONT'D)

Notes:

- (1) *Staff costs mainly consist of salaries, wages and allowances, bonuses, employees provident fund, social security contributions and other staff related costs. Directors' remuneration mainly consists of salaries, allowances, bonuses, employees provident fund, social security contributions.*
- (2) *This refers a provision of penalty of RM5.88 million and RM4.31 million pertaining to late payment for phase 2 of SkySierra Land in FYE 2022 and FPE 2023 respectively. The late payment was due to delay in land subdivision process and obtaining consent of transfer. Subsequent to the completion of subdivision process and obtaining consent of transfer on 15 December 2022, the settlement of the balance of purchase price of RM67.00 million was made on 13 January 2023.*
- (3) *This refers to the provision of Bumiputera quota penalty amounting to RM3.43 million for two developments in FYE 2022 and the provision of Bumiputera quota penalty amounting to RM0.76 million for a development, namely SkyVogue Residences in FPE 2023.*
- (4) *The recognition and measurement of impairment losses are in accordance with MFRS136 Impairment of Assets where it is recognised if the carrying amount of the asset is not recoverable and exceeds its fair value. The impairment losses mainly arise from the advertisement right for a period of 6 years granted by a local authority in exchange for the construction of an overhead pedestrian bridge which was completed in FYE 2022.*
- (5) *The allowance of doubtful debts mainly consists of the following:*
 - *For FYE 2020, there was a provision of doubtful debts amounting to RM5.13 million attributed to failure to recover a deposit paid to a third-party company in relation to a proposed joint acquisition of land in 2016 prior to the Financial Years Under Review. The provision of the doubtful debt was the result of inability to recover the said deposit subsequent to the closing of the legal proceeding for the above. This was attributed to our Group's failure to recover an advance fee paid to a third party in relation to an agreement entered into in 2016 whereby our Subsidiary, Desa Imbangan appointed a third party as an advisor to obtain a privatisation project. As the privatisation project was not successfully obtained, therefore Desa Imbangan sought to recover the advance fee paid. A consent order was then entered into resulting in the settlement of the case. Please refer to Section 9.1.12 of this Prospectus for further details.*
 - *For FYE 2022, there was a provision of doubtful debts of RM1.69 million mainly attributed to an unclaimable GST output tax of RM1.42 million and RM0.27 million of excess redemption sums against bank borrowings.*
 - *For FPE 2023, there was a reversal of the provision of doubtful debts for the FPE 2023 after received the collections from the customer for a unit sold in Ascenda Residences.*
- (6) *Include depreciation of property, plant and equipment as well as right-of-use assets.*
- (7) *Include expenses on short term leases including rental of motor vehicles and leasing of office equipment.*
- (8) *Include penalties imposed by authorities on late payments and / or penalty on tax payments. Please refer to Section 7.23.1 of this Prospectus for further details.*
- (9) *This refers to a lower net realisable value of 1 unit completed commercial properties from SkyAwani Residences development as the net realisable value was lower than the estimated selling price during the financial period assessment for FYE 2020.*
- (10) *Other administrative expenses include travelling and accommodation expenses, insurance and office related expenses. In addition, there was a squatter compensation amounting to RM0.29 million for the FPE 2023.*

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021 compared to FYE 2020**

Our administrative expenses decreased by RM7.80 million or 13.75% to RM48.95 million in FYE 2021 (FYE 2020: RM56.75 million). This was mainly attributed to a decrease in allowance of doubtful debts by RM5.87 million to RM0.10 million in FYE 2021 (FYE 2020: RM5.97 million) as there was a provision of doubtful debts of RM5.13 million in FYE 2020 attributed to the failure to recover a deposit paid to a third party company in relation to a proposed joint land acquisition proposal in 2016 prior to the FYE 2020.

The decrease was also partly attributed to the decrease in expenses related to stamp duty, licences fees, licence, quit rent and associated processing fees by RM1.53 million, and a decrease in bank charges and related facility fees by RM1.48 million in FYE 2021 as well as a decline in penalties by RM1.36 million in FYE 2021 related to the penalties imposed by authorities on late payments and / or penalty on tax payments.

The increase was partially offset by the increase in utilities and office upkeep expenses by RM1.09 million in FYE 2021 as well as an increase in staff cost by RM1.07 million in FYE 2021 due to the increase in the number of employees from 173 employees in FYE 2020 to 210 employees in FYE 2021.

FYE 2022 compared to FYE 2021

Our administrative expenses increased by RM25.29 million or 51.66% to RM74.24 million in FYE 2022 (FYE 2021: RM48.95 million), mainly attributed to the following:

- there was a provision of penalty pertaining to late payment interest imposed for phase 2 of SkySierra Land amounting to RM5.88 million in FYE 2022 as stipulated in the agreement. The late payment was due to delay in land subdivision process and obtaining consent of transfer. Subsequent to the completion of subdivision process and obtaining consent of transfer on 15 December 2022, the settlement of the balance of purchase price of RM67.00 million was made on 13 January 2023.
- there was also a provision of Bumiputera quota penalty amounting to RM3.43 million for 2 developments, namely SkyLuxe On The Park Residences and SkyVogue Residences in FYE 2022. The provision of Bumiputera quota penalties refers to expected claims based on estimated penalties to be imposed by the local authorities as stipulated in the approval for the developments.
- an increase in staff costs by RM7.86 million or 29.64% to RM34.38 million in FYE 2022 (FYE 2021: RM26.52 million) mainly due to the increase in the number of employees from 210 employees in FYE 2021 to 215 employees in FYE 2022 as well as increases in bonus payments.
- an increase in professional fees by RM3.16 million to RM5.77 million in FYE 2022 (FYE 2021: RM2.60 million) mainly attributed to advisory fees for tax audits, IPO related expenses, as well as professional fees incurred for our proposed build-to-rent developments. Please refer to Section 7.7 of this Prospectus for further details on our expansion into build-to-rent developments.
- an increase in impairment loss on intangible assets by RM2.55 million to RM2.81 million in FYE 2022 (FYE 2021: RM0.25 million) mainly attributed to the overhead pedestrian bridge which was completed in FYE 2022 with a construction cost of RM5.52 million which was capitalised as an intangible asset in FYE 2022.
- increase in the provision of doubtful debts by RM1.73 million to RM1.83 million in FYE 2022 (FYE 2021: RM0.10 million) mainly attributed to the doubtful debts of RM1.69 million attributed to an unclaimable GST output tax of RM1.42 million and RM0.27 million of excess redemption sums against bank borrowings.

12. FINANCIAL INFORMATION (CONT'D)**FPE 2023 compared to FPE 2022**

Our administrative expenses increased by RM15.74 million or 41.57% to RM53.61 million in FPE 2023 (FPE 2022: RM37.87 million) mainly attributed to the following:

- an increase in staff cost by RM4.04 million or 17.87% to RM26.68 million in FPE 2023 (FPE 2022: RM22.64 million) mainly due to increases in expenses for employee welfare, bonus payments as well as expenses for seminar training. In addition, directors' remuneration increased by RM0.52 million or 9.91% to RM5.78 million in FPE 2023 (FPE 2022: RM5.26 million).
- there was a provision of penalty pertaining to late payment interest imposed for phase 2 of SkySierra Land amounting to RM4.31 million in FPE 2023 as stipulated in the agreement as mentioned above. The settlement of the balance of purchase price of RM67.00 million was made on 13 January 2023.
- an increase in professional fees by RM3.29 million to RM5.20 million in FPE 2023 (FPE 2022: RM1.91 million) mainly attributed to expenses in relation to the Listing amounting to RM2.92 million in FPE 2023.
- an increase in other administrative expenses by RM1.15 million to RM2.27 million in FPE 2023 (FPE 2022: RM1.12 million) mainly contributed by a squatter compensation amounting to RM0.29 million, waiver of late payment interest to purchasers amounting to RM0.12 million for SkyMeridien Residences as well as increased travelling and accommodation expenses and office related expenses.
- there was a provision of Bumiputera quota penalty amounting to RM0.76 million for SkyVogue Residences.
- there were impairment losses on intangible assets amounting to RM0.69 million which was attributed to billboard advertisement rights for a period of 6 years granted by a local authority in exchange for the construction of an overhead pedestrian bridge which was completed in FYE 2022. This was based on an agreement entered between our Group and the Ministry of Works Malaysia on 21 December 2016.

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12. FINANCIAL INFORMATION (CONT'D)
12.3.10 Finance costs

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on bank borrowings	15,618	99.78	18,441	99.62	17,688	99.69	12,692	99.65	11,444	99.81
- <i>Term loans</i>	10,512	67.16	8,115	43.84	10,068	56.74	11,260	88.41	10,902	95.08
- <i>Bank overdrafts</i>	4,024	25.71	4,969	26.84	5,507	31.04	-	-	-	-
- <i>Bridging loans</i>	1,082	6.91	5,357	28.94	2,113	11.91	1,432	11.24	542	4.73
Interest expense on lease liabilities	34	0.22	70	0.38	55	0.31	45	0.35	22	0.19
Total	15,652	100.00	18,511	100.00	17,743	100.00	12,737	100.00	11,466	100.00

FYE 2021 compared to FYE 2020

Our finance cost increased by RM2.86 million or 18.27% to RM18.51 million in FYE 2021 (FYE 2020: RM15.65 million), which was mainly attributed to the increase in interest expense on bank borrowings. This was mainly due to the higher utilisation of bridging loans as working capital for our property development operations.

FYE 2022 compared to FYE 2021

Our finance cost decreased by RM0.77 million or 4.15% to RM17.74 million in FYE 2022 (FYE 2021: RM18.51 million), was mainly attributed to higher redemption for repayment of term loans resulted in lower outstanding loans, which contributed to lower interest expenses.

FPE 2023 compared to FPE 2022

Our finance cost decreased by RM1.27 million or 9.98% to RM11.47 million in FPE 2023 (FPE 2022: RM12.74 million), which was mainly attributed to higher redemption for repayment of term loans and bridging loans resulted in lower outstanding loans, which contributed to lower interest expenses.

12. FINANCIAL INFORMATION (CONT'D)**12.3.11 Share of results of associated companies**

	<u>FYE 2020</u>		<u>FYE 2021</u>		<u>FYE 2022</u>		<u>FPE 2022</u>		<u>FPE 2023</u>	
	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>%</u>	<u>RM'000</u>	<u>%</u>
Share of results of associated companies	(7)	100.00	-	-	-	-	-	-	-	-

FYE 2021 compared to FYE 2020

For the FYE 2020, there was a share of losses of RM7,348 from associated companies then, namely Medan Srijuta and Rimba Maju.

In January 2020, our Group acquired an additional 30.00% of equity interest in two said associated companies, namely Medan Srijuta and Rimba Maju. Upon the completion of the acquisitions, Medan Srijuta and Rimba Maju become our Subsidiaries and ceased to be the associated companies of our Group. Please refer to Section 6.4 of this Prospectus for further details on our Subsidiaries.

FYE 2022 compared to FYE 2021

There was no share of results of associated companies in FYE 2021 and FYE 2022 as the two said associated companies, namely Medan Srijuta and Rimba Maju become our Subsidiaries upon the completion of acquisitions as mentioned earlier.

FPE 2023 compared to FPE 2022

There was no share of results of associated companies in FPE 2022 and FPE 2023.

12.3.12 PBT, PAT and effective tax rate

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2022</u>	<u>FPE 2023</u>
PBT (RM'000)	101,760	74,349	150,018	111,675	132,156
PBT margin	19.43%	15.21%	18.98%	20.34%	21.47%
Total taxation (RM'000)	36,513	11,038	45,732	31,813	40,708
Effective tax rate	35.88%	14.85%	30.48%	28.49%	30.80%
PAT (RM'000)	65,247	63,311	104,286	79,862	91,448
PAT margin	12.46%	12.95%	13.19%	14.55%	14.86%

FYE 2021 compared to FYE 2020

Our PBT decreased by RM27.41 million or 26.94% to RM74.35 million in FYE 2021 (FYE 2020: RM101.76 million) and our PAT decreased by RM1.94 million or 2.97% to RM63.31 million in FYE 2021 (FYE 2020: RM65.25 million). The decrease in both PBT and PAT was mainly due to the decrease in our GP from our property development business and other income as explained in Sections 12.3.6 and 12.3.7 of this Prospectus respectively.

Our PBT margin declined from 19.43% for FYE 2020 to 15.21% for FYE 2021 while our PAT margin increased from 12.46% for FYE 2020 to 12.95% for FYE 2021. The decline was mainly due to the lower GP margins from our property development business and a decrease in other income. Please refer to Sections 12.3.6 and 12.3.7 of this Prospectus for further details on our GP margin by business activities and other income respectively.

12. FINANCIAL INFORMATION (CONT'D)

For FYE 2020, our effective tax rate was 35.88% which was higher than the statutory tax rate of 24%. This was mainly due to the net tax impact of an aggregated non-deductible tax expenses of RM10.52 million which includes tax penalties and non-cash expenses items such as interest amortisation, allowance for doubtful debts and accruals for property development costs. These non-deductible tax expenses are mainly from Bennington Development, Citra Amal, SkyLuxe Development and Desa Imbangan. In addition, there was a net tax impact of RM1.18 million on deferred tax assets of RM3.32 million, mainly arising from unused tax losses from SkySanctuary Development and SkySierra Development, offsetting with the utilisation of deferred tax assets of RM2.14 million previously not recognised due to uncertainty of realisation of unused tax losses from SkyMeridien Development.

For FYE 2021, our effective tax rate was 14.85% which was lower than the statutory tax rate of 24%. This was mainly due to the aggregated tax impact from non-taxable income (mainly arising from NTP World Corporation relating to reversal of interest expense imputed on amount owing by our Company) of RM3.75 million and utilisation of deferred tax assets previously not recognised (due to uncertainty of realisation of unused tax losses mainly from Bennington Development, SkySierra Development and SkyVogue Development) of RM4.38 million.

FYE 2022 compared to FYE 2021

Our PBT increased by RM75.67 million to RM150.02 million in FYE 2022 (FYE 2021: RM74.35 million) while our PAT also increased by RM40.98 million or 64.72% to RM104.29 million in FYE 2022 (FYE 2021: RM63.31 million). The increase in both PBT and PAT was mainly driven by the increase in our GP from our property development business as explained in Section 12.3.6 of this Prospectus.

Our PBT margin improved from 15.21% for FYE 2021 to 18.98% for FYE 2022 and our PAT margin also improved slightly from 12.95% for FYE 2021 to 13.19% for FYE 2022. The improvement in PBT margin was mainly attributed to the lower proportion of operational expenses and finance cost against the revenue generated where our operational expenses and finance cost contribution was approximately 13.00% over total revenue for FYE 2022 which was lower compared to 16.47% for FYE 2021.

For FYE 2022, our effective tax rate was 30.48% which was higher than the statutory tax rate of 24%. This was mainly due to the following:

- tax impact of aggregated non-deductible tax expenses of RM3.78 million mainly arising from the allowance for doubtful debts and provision of penalties including the penalty on late payment for the phase 2 SkySierra Land and penalty on Bumiputera unit quotas.
- under provision of estimated tax payable in prior years amounting to RM4.70 million and under provision of deferred tax in prior years of RM1.96 million mainly attributed to reversal of deferred tax asset arising from over recognition of profit for Ascenda Residences development in FYE 2021.

Please refer to Section 13 Note 11 of this Prospectus for further details on the income tax expenses.

12. FINANCIAL INFORMATION (CONT'D)**FPE 2023 compared to FPE 2022**

Our PBT increased by RM20.48 million to RM132.16 million in FPE 2023 (FPE 2022: RM111.68 million) while our PAT also increased by RM11.59 million to RM91.45 million in FPE 2023 (FPE 2022: RM79.86 million). The increase in both PBT and PAT was mainly driven by the increase in our GP from our property development segment as explained earlier in Section 12.3.6 of this Prospectus.

Our PBT margin improved from 20.34% in FPE 2022 to 21.47% in FPE 2023 and our PAT margin also improved from 14.55% in FPE 2022 to 14.86% in FPE 2023, mainly attributed to the increase in GP and other operating income.

For FPE 2022, our effective tax rate was higher than the statutory tax rate of 24%, mainly due to the following:

- tax impact of aggregated non-deductible expenses of RM2.63 million which includes non-cash expenses items such as provision of staff bonus, provision of penalty for Bumiputera quota and accruals for property development costs mainly from SkyWorld Development and SkyLuxe Development; and
- under provision of estimated tax payable of RM4.26 million mainly from SkyWorld Development, NTP World Corporation and Bennington Development.

For FPE 2023, our effective tax rate was higher than the statutory tax rate of 24%, mainly due to the following:

- non-deductible expenses of RM9.94 million which includes expenses incurred for corporate exercise and non-cash expenses items such as provision of penalty on late payment for the phase 2 of the SkySierra Land; and
- under provision of estimated tax payable of RM8.19 million mainly from SkySierra Development, SkyWorld Development and Citra Amal, and mitigated by over provision of deferred tax in prior years of RM6.05 million mainly from SkyWorld Development and SkySierra Development.

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12. FINANCIAL INFORMATION (CONT'D)**12.3.13 Review of financial positions****(i) Assets**

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	2,833	2,094	8,233	13,467
Right-of-use assets	339	1,223	686	302
Intangible assets	85	-	2,810	2,679
Investment property	-	-	-	47,986
Inventories – land held for property development	485,169	538,799	528,764	583,977
Goodwill	1,149	1,149	1,149	1,214
Deferred tax assets	5,297	13,794	12,815	21,404
Prepaid expenses	-	994	1,789	1,941
Total non-current assets	494,872	558,053	556,246	672,970
Current assets				
Inventories – property development costs	216,661	270,156	196,428	115,622
Inventories – completed properties	55,390	40,424	80,205	47,973
Contract assets	27,196	33,902	117,432	68,631
Contract cost assets	4,311	8,169	8,427	6,933
Trade receivables	61,555	78,720	74,209	59,930
Other receivables, refundable deposits and prepaid expenses	11,019	39,211	47,055	10,511
Current tax assets	1,463	2,382	4,125	8,971
Deposits, cash, bank balances and Housing Development Accounts	154,751	161,622	280,472	337,920
Total current assets	532,346	634,586	808,353	656,491
Total Assets	1,027,218	1,192,639	1,364,599	1,329,461

FYE 2021 compared to FYE 2020

Our total assets increased by RM165.42 million or 16.10% to RM1.19 billion in FYE 2021 (FYE 2020: RM1.03 billion). This was mainly attributed to the increase in the following current assets:

- increase in inventories of property development costs by RM53.50 million mainly due to the development cost incurred for some of the on-going developments then mainly SkySierra Residences (The Valley) and SkyVogue Residences;
- increase in other receivables, refundable deposits and prepaid expenses by RM28.19 million, mainly attributable to the excess payment on redemption of loan for SkyAwani IV Residences;

12. FINANCIAL INFORMATION (CONT'D)

- increase in trade receivables by RM17.17 million, mainly due to higher progress billings issued to customers at the end of FYE 2021, mainly sales of completed properties from the Bennington Residences and SkyAwani IV Residences;
- increase in deposits, cash, bank balances and Housing Development Accounts by RM6.87 million, mainly contributed by the higher balances from the Housing Development Accounts arising from higher collections; and
- increase in contract assets by RM6.71 million attributed to higher accrued billings which mainly for SkyAwani III Residences development.

Our non-current assets also increased by RM63.18 million or 12.77% to RM558.05 million in FYE 2021 (FYE 2020: RM494.87 million) mainly attributed to the following:

- increase in inventories of land held for property development by RM53.63 million mainly attributed to the land and associated cost incurred for some of the on-going developments mainly SkySanctuary Land and SkySierra Land; and
- increase in deferred tax asset by RM8.50 mainly due to the provision of deferred tax from SkyVogue Development and the under provision of deferred tax from SkyAwani 5 Development.

FYE 2022 compared to FYE 2021

Our total assets increased by RM171.96 million or 14.42% to RM1.36 billion in FYE 2022 (FYE 2021: RM1.19 billion). This was mainly attributed to the increase in the following current assets:

- increase in deposits, cash, bank balances and Housing Development Accounts by RM118.85 million mainly due to contributed by the higher balances from the Housing Development Accounts arising from higher collections; and
- increase in contract asset by RM83.53 million due to higher accrued billings resulting from the development cost incurred from SkyAwani III Residences development.

The increase in total asset is offset by the decrease in our non-current assets by RM1.81 million or 0.32% to RM556.25 million in FYE 2022 (FYE 2021: RM558.05 million). This was mainly attributed to a decrease in inventories of land held for property development by RM10.04 million mainly due to the transferred from land held to inventories of property development costs mainly pertaining to SkySanctuary Land.

The decrease in non-current assets was partially offset by an increase on property, plant and equipment by RM6.14 million attributed to the purchase of our new Block D office building located in Excella Business Park, Ampang as well as increase in intangible assets by RM2.81 million attributed to construction of overhead pedestrian bridge pertaining to the exchange of 6-year advertisement rights granted by the local government.

FPE 2023 compared to FYE 2022

Our total assets decreased by RM35.14 million or 2.57% to RM1.33 billion in FPE 2023 (FYE 2022: RM1.36 billion). This was mainly attributed to the decrease in the following current assets:

- decrease in inventories of property development costs by RM80.81 million mainly attributed to the recognition of property development cost to cost of sales

12. FINANCIAL INFORMATION (CONT'D)

mainly driven by the increase in progress of our construction activities coupled with additional units sold for EdgeWood Residences and SkySierra Residences (The Valley);

- decrease in contract assets by RM48.80 million mainly attributed to no accrued billings from SkyAwani III Residences during the FPE 2023;
- decrease in other receivables, refundable deposits and prepaid expenses by RM36.54 million mainly due to a lower excess redemption sum from borrowings;
- decrease in inventories of completed properties by RM32.23 million mainly attributed to a total of 73 completed units sold comprising 62 units of serviced apartments from SkyMeridien Residences, 7 units from Bennington Residences, as well as a total of 4 commercial units from SkyAwani Residences and SkyAwani II Residences during the FPE 2023; and
- decrease in trade receivables by RM14.28 million mainly attributed to lower outstanding balances at the end of FPE 2023 mainly resulted from balance stakeholder sum collections from completed developments including SkyAwani III Residences and SkyMeridien Residences.

This was partially offset by the increase in the following current and non-current assets.

- increase in cash and cash equivalents by RM57.45 million under current assets mainly attributable to higher collection following the completion of SkyMeridien Residences and SkyAwani III Residences;
- increase in inventories of land held for property development by RM55.21 million under non-current assets mainly attributed to land and associated cost capitalised for acquisition of SkyRia Land and Curvo Land in Setapak as well as SkyAman Land and SkyVue Land, which is part of our land bank for future developments;
- increase in investment properties by RM47.99 million under non-current assets mainly attributed to reclassification from inventories-land held for property development to investment property in FPE 2023 for build-to-rent development namely Sama Square;
- increase in deferred tax assets by RM8.59 million under non-current assets mainly attributed to recognition of deferred tax assets of RM2.54 million due to current year deductible temporary differences mainly from SkyWorld Development, SkySierra Residences and SkyAwani V Residences. In addition to that, the increase is also contributed by the over provision of deferred tax in prior years of RM6.05 million from SkyWorld Development, SkySierra Residences and Bennington Residences;
- increase in property, plant and equipment by RM5.23 million under non-current assets mainly attributed to the renovation works for the Block B and D office buildings located in Excella Business Park, Ampang purchased in FYE 2022 as well as capital work in progress for our build-to-rent developments namely SkyBlox; and
- increase in current tax assets by RM4.85 million under current assets mainly attributed to excess tax payment of RM3.24 million made by SkyMeridien Residences.

12. FINANCIAL INFORMATION (CONT'D)**(ii) Liabilities**

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Land cost payable	75,350	504	-	-
Lease liabilities	128	637	124	50
Bank borrowings	230,205	201,965	289,796	238,842
Deferred tax liability	290	290	789	811
Total non-current liabilities	305,973	203,396	290,709	239,703
Current liabilities				
Trade payables	148,530	241,856	190,477	167,305
Other payables and accrued expenses	38,416	46,947	60,252	50,616
Contract liabilities	10,092	56,342	109,416	11,136
Land costs payable	18,982	77,477	77,021	68,258
Lease liabilities	188	584	565	241
Bank borrowings	181,803	190,537	158,225	213,703
Tax liabilities	25,768	14,730	12,878	22,569
Total current liabilities	423,779	628,473	608,834	533,828
Total liabilities	729,752	831,869	899,543	773,531

FYE 2021 compared to FYE 2020

Our total liabilities increased by RM102.12 million or 13.99% to RM831.87 million in FYE 2021 (FYE 2020: RM729.75 million), mainly attributed to the increase in current liabilities as follows:

- increase in trade payables by RM93.33 million, mainly attributed to higher outstanding balances to contractors of various developments mainly including SkyAwani III Residences, SkyAwani IV Residences, SkySierra Residences (The Valley), SkyMeridien Residences, and EdgeWood Residences;
- increase in land cost payable by RM58.49 million, mainly attributed to the higher land cost payables arising from a reclassification of land cost payables from non-current liabilities to current liabilities in FYE 2021 for SkySierra Land; and
- increase in contract liabilities by RM46.25 million, mainly due to higher progress billings issued to purchasers for the SkyAwani IV Residences and SkyAwani V Residences pertaining to the 10% initial payments collected upon the signing of SPA.

12. FINANCIAL INFORMATION (CONT'D)

The increase in current liabilities is offset by the decrease in the following non-current liabilities:

- decrease in land cost payables by RM74.85 million, mainly due to a reclassification of land cost payables from non-current liabilities to current liabilities in FYE 2021 for SkySierra Land as the amount is expected to be settled within 12 months from the date of reporting period; and
- decrease in bank borrowings by RM28.24 million, mainly attributable to repayment of bank borrowings.

FYE 2022 compared to FYE 2021

Our total liabilities increased by RM67.67 million or 8.14% to RM899.54 million in FYE 2022 (FYE 2021: RM831.87 million), mainly attributed to the increase in the non-current liabilities as follows:

- increase in bank borrowings by RM87.83 million, mainly attributed to proceeds drawdown from term loans to fund our property development operations.

The increase in non-current liabilities is offset by the decrease in the following current liabilities:

- decrease in trade payable by RM51.38 million mainly, attributed to higher payments of trade payables including contractors and suppliers for several developments including SkyAwani III Residences, SkyAwani IV Residences, SkySierra Residences (The Valley), SkyMeridien Residences and EdgeWood Residences; and
- decrease in bank borrowings by RM32.31 million, mainly attributed to repayment of bank borrowings.

The increase in the following current liabilities offset the above decreases:

- increase in contract liabilities by RM53.07 million, mainly attributed to the higher progress billings issued to purchasers for the SkySierra Residences (The Valley) and SkyVogue Residences; and
- increase in other payables and accrued expenses by RM13.31 million, mainly attributed to the provision of a penalty of RM5.88 million pertaining to late payments for the phase 2 of SkySierra Land and provision of Bumiputera quota penalty amounting to RM3.43 million, as well as accrued expenses including accrued retaining fees, accrued incentives and cashback packages, and accrued professional fees and staff bonus payables.

FPE 2023 compared to FYE 2022

Our total liabilities decreased by RM126.01 million or 14.01% to RM773.53 million in FPE 2023 (FYE 2022: RM899.54 million). This was mainly attributed to the decrease in our following current liabilities:

- decrease in contract liabilities by RM98.28 million mainly contributed by SkySierra Residences (The Valley), SkyVogue Residences and SkyAwani IV Residences where the earlier progress billings issued have subsequently meet the revenue recognition criteria in FPE 2023;
- decrease in other payables and accrued expenses by RM9.64 million mainly attributed to lower accrued expenses related to professional fees, tax expenses,

12. FINANCIAL INFORMATION (CONT'D)

staff bonus payables as well as lower accrued interest expenses and rebates and office associated expenses;

- decrease in trade payables by RM23.17 million mainly attributed to higher payments made to contractors for SkyMeridien Residences; and
- decrease in land cost payables by RM8.76 million mainly attributed to the payments of RM8.16 million to landowner for the SkySierra Land.

This was partially offset by the increase in the following:

- increase in total bank borrowings by RM4.52 million mainly attributed to the drawdown of term loan and bridging loans to fund our property development operations. This was partially offset by the repayment of bank overdrafts in FPE 2023; and
- increase in current tax liabilities by RM9.69 million mainly attributed to higher provision of estimated tax payable resulted from higher profit before tax for FPE 2023.

12.4 LIQUIDITY AND CAPITAL RESOURCES**12.4.1 Working capital**

Our business operations are financed by a combination of both internal and external sources of funds. Internal sources of funds comprised shareholders' equity and cash generated from our operations, while external sources were mainly banking facilities from financial institutions. The utilisation of these funds was for our business operations and growth.

Based on our audited consolidated statements of financial positions as at 31 December 2022, we have:

- (i) cash and bank balances with licensed banks of RM89.69 million (excluding Housing Development Accounts and fixed deposits placed and pledged to the bank); and
- (ii) working capital of RM122.66 million, being the difference between current assets of RM656.49 million and current liabilities of RM533.83 million.

As at the LPD, we have credit facilities (which consist of term loans and revolving credits) with a total credit limit of RM0.99 billion and a bond programme with a total limit of RM0.30 billion, of which RM0.66 billion (comprising RM0.36 billion for the credit facilities and RM0.30 billion for the bond programme) has yet to be utilised. Further details are set out in Section 12.4.3 of this Prospectus.

After taking into consideration the funding requirements for our committed capital expenditures, our future plans as set out in Section 7.7 of this Prospectus, our existing level of cash and bank balances with licensed banks, expected cash flows to be generated from our operations, the expected negative cash flow from operating activities for the FYE 2023 pursuant to payments arising from land acquisitions subsequent to the FPE 2023 (details as set out in Sections 12.4.2 and 15.5 of this Prospectus), credit facilities available and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for 12 months from the date of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)**12.4.2 Cash flow**

The following is our cash flow for the Financial Years Under Review and FPE 2023 based on our audited Consolidated Financial Statements. This should be read in conjunction with the Accountants' Report in Section 13 of this Prospectus.

	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Net cash from / (used in) operating activities ⁽¹⁾	(69,827)	46,115	84,152	⁽²⁾ 29,719
Net cash from / (used in) investing activities	(3,597)	9,287	(19,934)	(5,162)
Net cash from / (used in) financing activities	80,711	(59,111)	73,565	102,971
Net increase / (decrease) in cash and cash equivalents	7,287	(3,709)	137,783	127,528
Effect of exchange rate fluctuations on cash held	8	(6)	#	(820)
Cash and cash equivalents at the beginning of the financial year	48,036	55,331	51,616	189,399
Cash and cash equivalent at end of the financial year	55,331	51,616	189,399	316,107

Notes:

- (1) *Our Group's principal revenue-producing activity is property development. It is in the ordinary course of business for a property developer to acquire, to hold, to develop and / or sell land and properties. Such land banks (which will be developed over a number of years) are inventories of the property developer and is different from long-term assets and other investments (i.e. plant and equipment which are held as resources for generating future cash flows). As such, the cash flows incurred in the acquisition of land banks of our Group are presented as cash outflows from operating activities.*

Therefore, we may register negative cash flow from operating activities due to the accounting treatment of including the land acquisition outflow in operating cash flow in accordance with MFRS 107 Cash Flow Statements, whereas the land acquired can only generate cash inflow after the projects are launched and relevant billing milestones are achieved.

- (2) *Our Group had, on 13 January 2023, settled a balance purchase price of RM67.00 million to complete the transfer of a second parcel of subdivided land to SkySierra Development. Pursuant to the settlement of the balance purchase price, our Group is expected to experience a negative cashflow from operating activities for the FYE 2023. Please refer to Section 15.5 of this Prospectus for further details on the transfer of the subdivided land to SkySierra Development.*

Less than RM1,000

Our cash and cash equivalents are mainly held in RM and others that are held in foreign currencies including USD and VND. There are no legal, financial or economic restrictions on our Subsidiary's ability to transfer funds to our Company in the form of cash dividends, loans or advances subject to the availability of distributable profits and reserves, and any applicable financial covenants.

12. FINANCIAL INFORMATION (CONT'D)**(i) Net cash from / (used in) operating activities****FYE 2020**

For FYE 2020, our net cash used in operating activities was RM69.83 million after taking into account the following:

- (a) increase in the inventory of land held for property development by RM150.61 million is mainly attributed to the following:
- Land costs of RM107.72 million were capitalised in relation to the acquisition of SkySierra Land. This mainly included deposit payments of RM12.22 million to the landowner (DBKL) as well as associated costs of RM7.15 million mainly pertaining to premium, quit rent and provision of land title costs.
- The total consideration of the SkySierra Land was RM176.51 million comprising RM127.00 million for the land acquisition and RM49.51 million for the cost of relocation and construction of the MSN sports complex. Please refer to Section 15.5 of this Prospectus for further details on the arrangement. As at the LPD, 4.66 acres of the SkySierra Land is used for the development of SkySierra Residences (The Valley) in Setiawangsa, Kuala Lumpur, while the remaining will be used for future developments.
- Land costs of RM29.53 million capitalised in relation to the acquisitions of SkyAwani 5 Land in August 2019. The total consideration for the SkyAwani 5 Land acquisition was RM29.00 million.
 - Land cost for SkySanctuary Land of RM16.34 million was capitalised in relation to the land acquisitions in Setapak from several landowners, as well as total cumulative land area was 23.29 acres including the private park land of 2.92 acres. The cost capitalised were mainly associated land cost including land premium, banking facility related fees and interest expenses, stamp duties and professional fees. As at the LPD, 3.79 acres of the said land was used for the development of EdgeWood Residences in Setapak, FT Kuala Lumpur. The balance 16.58 acres will be used for future developments.
- (b) increase in inventories of RM45.71 million was mainly contributed by the completion of 2 developments during the FYE 2020 including RM37.76 million of inventories from the Bennington Residences and RM8.70 million of inventories from the SkyAwani II Residences.
- (c) increase in trade receivables of RM12.02 million mainly attributed to the completion of developments namely SkyLuxe On The Park Residences and SkyAwani II Residences toward the end of FYE 2020 as well as the launch of 2 developments namely SkyAwani IV Residences and SkySierra Residences (The Valley) during the FYE 2020.
- (d) decrease in contract liabilities of RM31.39 million which was mainly contributed by SkyAwani III Residences where the earlier progress billings issued had subsequently meet the revenue recognition criteria in FYE 2020.
- (e) decrease in other payables and accrued expenses of RM26.05 million which was mainly attributed to the repayment of RM29.52 million to the amount owing to the related companies owned by our Directors namely Datuk Seri Ng and Datuk Lam during FYE 2020. This was previously due to advances and expenses paid for

12. FINANCIAL INFORMATION (CONT'D)

the business operating expenses on behalf of the company which were interest free and repayable on demand. As at the LPD, these outstanding advances due to related companies have been fully settled.

- (f) increase in contract cost assets by RM4.31 million mainly attributed to higher costs incurred in sales and marketing activities for our developments, mainly SkyAwani III Residences and SkyAwani IV Residences.

This was partially moderated by the following:

- (a) increase in land cost payable of RM61.98 million mainly comprising:
- RM75.16 million of the amount owing to landowners and related parties for land and associated cost pursuant to the acquisition of SkySierra Land as mentioned above.
 - RM17.41 million of the amount owing to land owner for land and associated cost pursuant to the acquisition of SkyAwani 5 Land as mentioned above.
- (b) decrease in contract assets of RM36.43 million mainly attributed to lower accrued billings from Bennington Residences, SkyAwani II Residences and SkyLuxe On The Park Residences as the said developments were completed in FYE 2020.
- (c) decrease in inventories of the property development cost of RM8.90 million mainly attributed to the completion of Bennington Residences, SkyLuxe On The Park Residences and SkyAwani II Residences in FYE 2020.
- (d) decrease in other receivables, refundable deposits and prepaid expenses of RM31.05 million, mainly due to a reclassification of land deposits and premium paid for land acquisition in previous financial year to land held for property development amounting to RM17.28 million. In addition, there was also a decrease in excess redemption sum of RM5.28 million which was reclassified from borrowings, as well as one-off allowance for doubtful debts amounting to RM5.13 million in relation to the deposit paid for the proposed joint land acquisition in 2016 prior to the FYE 2020. Please refer to Section 12.3.2 of this Prospectus for further details.

In FYE 2020, we recorded a negative cashflow of RM69.83 million from operating activities mainly attributed to the payment of land and associated cost in relation to various land acquisitions as mentioned above.

FYE 2021

For FYE 2021, our net cash from operating activities was RM46.11 million mainly after taking into account the following:

- (a) increase in trade payables of RM93.33 million, mainly attributed to higher outstanding balances to contractors of various developments mainly including SkyAwani III Residences, SkyAwani IV Residences, SkySierra Residences (The Valley), SkyMeridien Residences, and EdgeWood Residences.
- (b) increase in contract liabilities by RM46.25 million, mainly due to higher progress billings issued to purchasers for the SkyAwani IV Residences and SkyAwani V Residences pertaining to the 10% initial payments collected upon the signing of SPA.

12. FINANCIAL INFORMATION (CONT'D)

- (c) decrease in inventories of completed properties by RM14.97 million, mainly attributed to 25 completed units sold from the Bennington Residences development in FYE 2021 including 8 units (RM6.67 million) of contra payment against the outstanding payables with Zalam Corporation Sdn Bhd pursuant to the tripartite settlement. Please refer to Section 15.5 of this Prospectus for further details on the tripartite settlement.
- (d) increase in other payables and accrued expenses by RM8.53 million, attributed to other payables including accrued interest expenses, accrued rebates and incentives, office associated expenses as well as an increase in accrued expenses mainly professional fees and staff bonus payables.

This was partially offset by the following:

- (a) increase in inventory of land held for property development by RM95.79 million comprising:
- land and associated costs of RM43.81 million for the SkySanctuary Land including preliminary land surveying and related fees, infrastructure costs, squatters' compensation as well as other costs including professional fees, stamp duties, banking charges and commission, conversion fees and other relevant levies; and
 - land and associated cost of RM35.16 million of SkySierra Land including payment of RM4.11 million in associated cost and the recognition of RM32.42 million in construction cost incurred in FYE 2021 pursuant to the relocation and construction of the MSN sports complex under the land acquisition arrangement.
- (b) increase in trade receivables of RM17.17 million, mainly attributed to higher progress billings issued to customers at the end of FYE 2021, mainly SkyMeridien Residences and SkyAwani V Residences.
- (c) decrease in land cost payables by RM16.35 million mainly due to the settlement of the associated land cost of RM17.41 million for SkyAwani 5 Land.
- (d) increase in inventories of property development costs of RM12.46 million was attributed to the development cost incurred for some of the on-going developments then mainly SkySierra Residences (The Valley) and SkyVogue Residences.
- (e) increase in contract assets by RM6.71 million attributed to higher accrued billings which mainly for SkyAwani III Residences development.
- (f) increase in contract cost assets by RM3.86 million mainly attributed to higher costs incurred of sales and marketing activities for our developments, mainly SkyAwani IV Residences and SkySierra Residences (The Valley).

FYE 2022

For FYE 2022, our net cash from operating activities was RM84.15 million mainly after taking into account the following:

- (a) decrease in inventories of property development costs of RM82.74 million, mainly attributed to the completion of SkyMeridien Residences and the higher proportion of works done for several on-going developments, including SkySierra Residences (The Valley), SkyVogue Residences, SkyAwani III Residences,

12. FINANCIAL INFORMATION (CONT'D)

SkyAwani IV Residences and SkyAwani V Residences, which enable us to issue progress billings to customers.

- (b) increase in contract liabilities by RM53.07 million, mainly attributed to the higher progress billings issued to purchasers for the SkySierra Residences (The Valley) and SkyVogue Residences.
- (c) decrease in inventories of completed units by RM13.17 million which was mainly attributed to 27 completed units sold comprising 18 units of shop units sold from SkyAwani Residences development and 9 completed sold from the Bennington Residences development.
- (d) increase in other payables and accrued expenses by RM9.87 million, mainly attributed to the provision of a penalty of RM5.88 million pertaining to late payments for the phase 2 of SkySierra Land and provision of Bumiputera quota penalty amounting to RM3.43 million, as well as accrued expenses including accrued retaining fees, accrued incentives and cashback packages, and accrued professional fees and staff bonus payables.
- (e) decrease in trade receivables by RM4.37 million which was attributed to lower outstanding balances at the end of FYE 2022 mainly resulted from balance stakeholder sum collections from the completed developments including SkyAwani II Residences, Bennington Residences and SkyLuxe On The Park Residences as well as high collections from the SkyAwani V Residences development.

This was partially offset by the following:

- (a) increase in contract assets by RM83.53 million, mainly due to higher accrued billings resulting from the development cost incurred from SkyAwani III Residences development.
- (b) decrease in trade payables by RM51.38 million, mainly attributed to higher payments of trade payables including contractors and suppliers for several developments including SkyAwani III Residences, SkyAwani IV Residences, SkySierra Residences (The Valley), SkyMeridien Residences and EdgeWood Residences.
- (c) increase in inventories of land held for property development by RM45.26 million, mainly attributed to the following:
 - land costs of RM15.85 million capitalised for SkySierra Land in Setiawangsa, mainly attributed to the land acquisition arrangement mentioned above.
 - land costs of RM10.61 million capitalised in relation to the acquisition of 9.50 acres of land ("**SkyRia Land**") in Setapak. The total consideration for the land acquisition was RM43.00 million which was acquired in FYE 2022. The SkyRia Land will be used for our future planned development. Please refer to Section 7.7 of this Prospectus for further details on our future planned developments.
 - land costs of RM9.46 million capitalised for the SkySanctuary Land in Setapak, mainly attributed to associated costs including conversion and submission fees, banking facility related fees and charges, professional fees such as land surveyors and consultants' fees.

12. FINANCIAL INFORMATION (CONT'D)

- land costs of RM4.70 million capitalised for SkyAman Land located in Cheras with a land area of 4.86 acres, mainly from land procurement fees and associated costs.

FPE 2023

For FPE 2023, our net cash from operating activities was RM29.72 million mainly after taking into account the following:

- (a) decrease in inventories of property development costs by RM83.49 million mainly attributed to the recognition of property development cost to cost of sales mainly driven by the increase in progress of our construction activities coupled with additional units sold for EdgeWood Residences and SkySierra Residences (The Valley).
- (b) decrease in contract assets by RM48.80 million, mainly attributed to no accrued billings from SkyAwani III Residences during the FPE 2023.
- (c) decrease in inventories of completed properties by RM32.23 million mainly attributed to a total of 73 completed units sold comprising 62 units of serviced apartment from the SkyMeridien Residences, 7 units from the Bennington Residences, as well as a total of 4 commercial units from SkyAwani Residences and SkyAwani II Residences during the FPE 2023.
- (d) decrease in trade receivables by RM14.33 million mainly attributed to lower outstanding balances at the end of FPE 2023 mainly resulted from balance stakeholder sum collections from completed developments including SkyAwani III Residences and SkyMeridien Residences.

This was partially offset by the following:

- (a) decrease in contract liabilities by RM98.28 million mainly contributed by SkySierra Residences (The Valley), SkyVogue Residences and SkyAwani IV Residences where the earlier progress billings issued have subsequently meet the revenue recognition criteria in FPE 2023.
- (b) increase in inventories of land held for property development by RM94.53 million comprising mainly the increased land and associated costs of the following:
 - land and associated cost of RM35.02 million capitalised in relation to the acquisition of 9.50 acres of land ("**SkyRia Land**") in Setapak. The SkyRia Land will be used for our planned development.
 - land and associated cost of RM20.37 million capitalised in relation to the acquisition of 2.41 acres of land by our subsidiary SkyVue Development, for future developments namely "SkyVue Land".
 - land and associated cost of RM16.28 million capitalised for our planned development, namely Curvo Residence in relation to the acquisition of 4.44 acres of land ("**Curvo Land**") in Setapak.
 - the associated cost of RM4.95 million capitalised for the SkyAman Land, which is part of our land bank for future developments.

Please refer to Section 7.7.2 of the Prospectus for further details on the future planned developments.

12. FINANCIAL INFORMATION (CONT'D)

- (c) decrease in trade payables by RM23.17 million, mainly attributed to higher payments made to contractors for SkyMeridien Residences.
- (d) decrease in other payables and accrued expenses by RM10.46 million mainly attributed to lower accrued expenses related to professional fees, tax expenses, staff bonus payables as well as lower accrued interest expenses and rebates and office associated expenses.
- (e) decrease in land cost payables by RM8.76 million, mainly attributed to the payments of RM8.16 million to landowner for the SkySierra Land.

(ii) Net cash from / (used in) investing activities**FYE 2020**

For FYE 2020, our net cash used in investing activities was RM3.60 million. This was mainly attributed to RM4.00 million of fixed deposits pledged for banking facilities.

FYE 2021

For FYE 2021, our net cash from investing activities was RM9.29 million. This was mainly attributed to RM8.71 million which was lifted from fixed deposits pledged.

FYE 2022

For FYE 2022, our net cash used in investing activities was RM19.93 million. This was mainly attributed to the following:

- (a) RM8.95 million of fixed deposits pledged for banking facilities.
- (b) RM7.04 million was mainly used to fund the purchase of our new Block D office building located in Excella Business Park, Ampang.
- (c) RM5.52 million was mainly used to fund the construction of the overhead pedestrian bridge pertaining to the exchange of 6-year advertisement rights granted by the local government. This was based on an agreement entered between our Group and the Ministry of Works Malaysia on 21 December 2016. The construction of the overhead pedestrian bridge was completed in FYE 2022.

FPE 2023

For FPE 2023, our net cash used in investing activities was RM5.16 million mainly attributed to the following:

- (a) RM6.14 million was used mainly to fund the renovation works for the Block B and Block D office buildings located in Excella Business Park, Ampang purchased in FYE 2022, and capital work in progress for our build-to-rent developments namely SkyBlox; and
- (b) RM3.38 million was mainly used to fund our build-to-rent developments namely Sama Square.

This was partially offset by the withdrawal of fixed deposits amounting to RM2.64 million.

12. FINANCIAL INFORMATION (CONT'D)**(iii) Net cash from / (used in) financing activities****FYE 2020**

For FYE 2020, our net cash from financing activities was RM80.71 million. This was mainly attributed to RM158.85 million proceeds from the bank borrowings including term loans, bank overdrafts and bridging loans to fund our property development operations. This was partially offset by the repayment of bank borrowings amounting to RM77.47 million.

FYE 2021

For FYE 2021, our net cash used in financing activities was RM59.11 million. This was mainly attributed to the repayment of bank borrowings amounting to RM255.26 million during the FYE 2021. This was partially offset by RM196.75 million proceeds from bank borrowings including term loans, bank overdrafts and bridging loans to fund our property development operations.

FYE 2022

For FYE 2022, our net cash from financing activities was RM73.56 million. This was mainly attributed to RM334.57 million proceeds from bank borrowings including term loans, bank overdrafts and bridging loans to fund our property development operations. This was partially offset by the repayment of bank borrowings amounting to RM260.34 million.

FPE 2023

For FPE 2023, our net cash from financing activities was RM102.97 million mainly attributed to RM200.19 million of proceeds from bank borrowings including term loans, bank overdrafts and bridging loans to fund our property development operations. This was partially offset by the repayment of bank borrowings amounting to RM96.77 million.

12.4.3 Bank borrowings

As at 31 December 2022, our Group's total bank borrowings were set out below:

Type of borrowings	As at 31 December 2022		Total
	Repayable within 12 months	Repayable after 12 months	
	RM'000	RM'000	RM'000
Term loans ⁽¹⁾	197,732	229,190	426,922
Bank overdrafts ⁽²⁾	9,800	-	9,800
Bridging loans ⁽³⁾	6,171	9,652	15,823
Total	213,703	238,842	452,545
Gearing ratio ⁽⁴⁾			0.81
Net gearing ratio ⁽⁵⁾			0.21

Notes:

- (1) Term loans were mainly utilised to fund property development operations under our Subsidiaries including SkyWorld Development, SkySanctuary Development, and SkyAwani 5 Development.

12. FINANCIAL INFORMATION (CONT'D)

- (2) Bank overdraft was mainly used to fund the working capital and property development operations under SkyWorld Development.
- (3) Bridging loans were mainly used to fund property development operations carried out by SkyVogue Development.
- (4) Calculated based on total borrowings divided by total equity.
- (5) Calculated based on total borrowings less deposit, bank and cash balances over total equity.

Our Group has not defaulted on any payment of either principal sums and / or interest in relation to borrowings for the Financial Years Under Review, FPE 2023 and up to the LPD.

As at 31 December 2022, all bank borrowings are interest bearing which are floating rate borrowings. The details of the bank borrowings as at 31 December 2022 are set out below:

Maturity profile	Term loans	Bank overdrafts	Bridging loans	Total
	RM'000	RM'000	RM'000	RM'000
Less than 1 year	197,732	9,800	6,171	213,703
More than 1 to 2 years	57,128	-	-	57,128
More than 2 to 5 years	172,062	-	9,652	181,714
Total	426,922	9,800	15,823	452,545
Credit limit as at the LPD	⁽¹⁾ 1,007,588	-	282,000	1,289,588
Balance unutilised as at the LPD	⁽¹⁾ 424,546	-	236,453	660,999
Interest rates per annum	4.04% - 6.51%	-	5.75% - 6.11%	4.04% - 6.51%

Note:

- (1) This amount includes a bond programme limit of RM300 million which has an unutilised balance of RM299 million. Further details are set out in Section 12.5 of this Prospectus.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which can materially affect the financial position and results of business operations or investments by holders of securities in our Company.

12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at the LPD, save as disclosed in Section 12.4.3 above, our Group did not use any other financial instruments.

Our Group established RM600 million IMTN and RM400 million ICP programme in November 2017 followed by the issuance of RM50 million IMTN in December 2017 and issuance of ICP totalling RM29.46 million between January 2018 and July 2018. The IMTN and ICP were fully redeemed in 2018 and the IMTN and ICP programmes were subsequently retired in July 2020. Please refer to Section 13 Note 30 of this Prospectus for further details on the said IMTN and ICP programmes.

In addition, we have established a rated ICP and IMTN programme of RM300 million for a tenure of 7 years. The ICP and IMTN will be used to fund the business expansion including the planned geographical expansion in Vietnam by 2023 and the planned developments in Malaysia between 2024 and 2026. As at the LPD, we have issued the first sub-tranche of ICP with a nominal amount of RM1 million under the ICP and IMTN Programme with a tenure of 92 days at the interest rate

12. FINANCIAL INFORMATION (CONT'D)

of 4.30%. Please refer to Section 7.23.2 of this Prospectus for further details on the establishment of the ICP and IMTN programme.

Our Group's operations have been funded through shareholders' equity, cash generated from our operations, and external sources of funds. The external sources of funds consist primarily of banking facilities from financial institutions. The normal credit terms granted by our suppliers range from 30 days to 90 days during the Financial Years Under Review and FPE 2023.

As at the LPD, our Group's banking facilities from financial institutions consist of term loans and bridging loans used to fund our property development operations. The interest rates for our bank borrowings are based on the market rates prevailing at the date of the respective transactions. As at the LPD, our Group has available banking facilities including term loans and bridging loans with a total credit limit of RM0.99 billion and a bond programme with a total limit of RM0.30 billion, of which RM0.66 billion (comprising RM0.36 billion for the banking facilities and RM0.30 billion for the bond programme) has yet to be utilised.

The main objective of our capital management is to ensure sustainable shareholders' equity to ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain our gearing ratio at an optimal level based on our business requirements and prevailing economic conditions.

12.6 MATERIAL COMMITMENTS FOR CAPITAL EXPENDITURE

As at the LPD, our Group's material commitments for capital expenditure are summarised below:

	Source of Funds		
	(1) Commitment for capital expenditure RM'000	(2) Internally generated funds / others RM'000	Proceeds from the Public Issue RM'000
Approved and contracted for:			
• Capital expenditure for new build-to-rent developments namely Sama Square ⁽³⁾	10,522	10,522	-
• Capital expenditure for new build-to-rent developments, namely SkyBlox ⁽⁴⁾	4,950	4,950	-
Total	15,472	15,472	-

Notes:

- (1) Excluding costs for property development operations such as land and associated costs and development expenditure.
- (2) Other funding is through bank borrowings or debt financing such as sukuk programme.
- (3) As at the LPD, capital spent for the build-to-rent developments namely Sama Square were RM8.67 million.
- (4) As at the LPD, capital spent for the build-to-rent developments, namely SkyBlox were RM13.61 million.

The capital commitments above will be funded through internally generated funds. Please refer to Section 7.7 of this Prospectus for further details pertaining to the expansion into new build-to-rent developments.

12. FINANCIAL INFORMATION (CONT'D)**12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES****12.7.1 Material litigation****(a) SkySanctuary Development vs Antharaj A/L Periaswamy (Antharaj)**

On 24 November 2021, our Subsidiary, SkySanctuary Development commenced an action in the High Court to evict the temple known as "Kuil Om Sri Vall Muni" (Antharaj is named in his capacity as the officer of the society operating the temple) from its development project land.

Antharaj alleges that the temple is built on the land in 2009 prior to SkySanctuary Development's acquisition of the land and SkySanctuary Development has knowledge of the temple occupying the land at the time when SkySanctuary Development acquired the land. Antharaj further alleges that DBKL has given assurance to the temple that the temple will not be demolished unless there is a suitable alternative site.

The case was dismissed with costs on 14 September 2022 and SkySanctuary Development filed a notice of appeal on 11 October 2022. Pending filing of the grounds of judgement of the High Court as a Supplementary Record of Appeal, the Court of Appeal has fixed the appeal for further case management on 5 July 2023. The solicitor acting for SkySanctuary Development is of the view that SkySanctuary Development is likely to succeed in obtaining possession of the occupied land on the basis that Antharaj does not have any proprietary interest in the land. As such, our Board of Directors are of the view that the litigation will not have any material adverse impact on our Group's financial position or business position.

In any event, as the temple is built on the peripheral of our development project land, it will not have any material impact on our development.

(b) SkySanctuary Development vs Antharaj and others (collectively, "Defendants")

On 14 March 2023, our Subsidiary, SkySanctuary Development commenced a separate action against Antharaj and other illegal occupiers of the development project land (if any) due to the illegal occupation of SkySanctuary Development's development project land without the authority and / or permission of SkySanctuary Development. In addition to claiming for the Defendants to remove the temple from the development project land or alternatively for SkySanctuary Development to be permitted to remove the temple accordingly, SkySanctuary Development is also claiming damages of RM669,600 from the Defendants due to loss of income from reduction in event space and general damages to be assessed. The Defendants have filed their defence and counterclaim and SkySanctuary Development has filed its reply to the defence and defence to the counterclaim. This case has been fixed for case management on 27 June 2023 for the parties to comply with the pre-trial directions which include filing of statement of agreed facts, statement of issues for trial and common bundle of documents.

The solicitor acting for SkySanctuary Development is of the view that SkySanctuary Development is likely to succeed in obtaining possession of the occupied land on the basis that the Defendants do not have any proprietary interest in the land. In respect of the Defendant's counterclaim, the solicitor acting for SkySanctuary Development is of the further view that such counterclaim is frivolous and baseless since the Defendants do not have any legal basis to occupy the land nor do they have any proprietary interests in the land to justify the claim. As such, our Board of Directors are of the view that the litigation will not have any material adverse impact on our Group's financial position or business position.

In any event, as the temple is built on the peripheral of our development project land, it will not have any material impact on our development.

12. FINANCIAL INFORMATION (CONT'D)**(c) Experience 6 Sdn Bhd (Experience 6) vs SkyWorld Development**

Experience 6 commenced an action against us in the Sessions Court for the sum of RM267,485.28 being the balance sum payable for services rendered to organise the SkyWorld Wellness Run. We counterclaimed for the refund of RM 258,532.94 which was paid to Experience 6 on the basis that Experience 6 has breached the terms and conditions of the contract for service.

The Sessions Court dismissed Experience 6 claims and our counterclaim. Experience 6 appealed to the High Court against the decision of the Sessions Court. In addition, we also filed an application to strike out the appeal made by Experience 6 on grounds that the notice of appeal was filed without filing a notice of change of solicitors in the Sessions Court. The High Court allowed the application to strike out Experience 6's appeal with costs. Experience 6 then filed an appeal to the Court of Appeal ("**COA**").

On 9 September 2022, Experience 6's appeal was struck out by the COA. As of to date, we have not been served with a notice of appeal against the COA's decision. As such, our Board of Directors are of the view that the litigation will not have any material adverse impact on our Group's financial position or business position.

(d) Wong Kar Jee ("WKJ") vs SkyLuxe Development

WKJ commenced an action against our Subsidiary, SkyLuxe Development for liquidated ascertained damages arising from late delivery of vacant possession. WKJ then filed an application for the court to determine the case on a point of law without full trial which was dismissed, whereas SkyLuxe Development filed for an application to strike out the suit which was allowed. WKJ appealed against the decisions and on 20 July 2022, the High Court dismissed the appeals with cost.

On 15 November 2022, WKJ served the notices of appeal dated 14 November 2022 against the High Court's decisions ("**Main Appeal**"). The Court had fixed the hearing for WKJ's application for extension of time to file the record of appeal on 13 June 2023. Pursuant to the hearing on 13 June 2023, the Court had granted WKJ's application for extension of time to file the record of appeal with cost of RM1,000.00 for the Main Appeal to be paid to SkyLuxe Development. In relation to the Main Appeal, the Court directed parties to file the common agreed issues on or before 11 May 2023. The Court had also fixed a case management date on 18 July 2023 for parties to update on the same.

The solicitor acting for SkyLuxe Development is of the view that the High Court and Magistrates Court did not commit any appealable errors in arriving at the respective decisions. Accordingly, it is highly likely that the Court of Appeal would rule in favour of SkyLuxe Development. As such, our Board of Directors are of the view that the litigation will not have any material adverse impact on our Group's financial position or business position.

(e) WH Electrical Marketing (M) Sdn Bhd ("WH Electrical") vs SkyWorld Development

WH Electrical commenced an action against us in the High Court for the sum of RM 1,717,655.58 being the balance sum payable for the supply of electrical goods and work done in relation to the delivery of the electrical goods for two housing developments undertaken by us ("**Goods & Services**"), namely SkyAwani III Residences and SkyAwani IV Residences. WH Electrical was separately engaged by a sub-contractor to render the Goods & Services.

The High Court had initially fixed 8 May 2023 for hearing of WH Electrical's application for summary judgement and WH Electrical's application to strike out certain paragraphs in our statement of defence, which was subsequently adjourned at the request of the WH

12. FINANCIAL INFORMATION (CONT'D)

Electrical's counsel to file a further affidavit. The Court fixed the next hearing date of the applications on 27 June 2023.

The solicitor acting for us is of the view that WH Electricals' claim is frivolous, and an abuse of the court process as there is no contractual relationship between us and WH Electrical. As such, our Board of Directors are of the view that the litigation will not have any material adverse impact on our Group's financial position or business position.

(f) Southern Cable Sdn Bhd ("Southern Cable") vs SkyWorld Development

Southern Cable commenced an action against us in the High Court for the sum of RM1,075,592.01 being the balance sum payable for the supply of electrical goods in relation to the delivery of the electrical goods for one of the housing developments undertaken by us ("**Electrical Goods**"), namely SkyAwani III Residences. Southern Cable is a supplier which was appointed by our Group's nominated sub-contractor (in this case, Damai Electrical Engineering Sdn Bhd) to deliver the Electrical Goods. Our Group does not have any dealings, direct or indirect, with Southern Cable or any other suppliers appointed by our nominated sub-contractors for purposes of our Group's developments. Our Group was only made aware of Southern Cable's appointment by Damai Electrical Engineering Sdn Bhd as a supplier of the Electrical Goods through this legal proceeding. Southern Cable has filed an application for summary judgement ("**Summary Judgement Application**"). SkyWorld Development has filed an application to strike out Southern Cable's claim ("**Strike Out Application**"). The Court has fixed the Strike Out Application to be heard together with the Summary Judgement Application and SkyWorld Development's application for further and better particulars on 28 July 2023.

Subject to further discovery of documents and material facts of the claim, the solicitor acting for us is of the view that Southern Cable's claims is unsustainable and groundless and is liable to be struck out on the ground that our Company is not a party to the contract for the supply of the Electrical Goods. In addition, the solicitor acting for us is of the view that the claim of unjust enrichment pleaded by Southern Cable is not applicable on the facts pleaded. As such, our Board of Directors are of the view that the litigation will not have any material adverse impact on our Group's financial position or business position.

(g) Purchaser ("Complainant") vs SkyWorld Development

The Complainant filed a tribunal claim pursuant to the Strata Management (Strata Management Tribunal) Regulations 2015 ("**Strata Management Regulations**") on 8 February 2023 against SkyWorld Development to resolve the noise issue relating to the exhaust fan and does not involve any monetary claim. Pursuant to the hearing of the claim before the Strata Management Tribunal on 9 May 2023. SkyWorld Development was requested to assist the Complainant to obtain external recommendations to improve the acoustic barrier within the Complainant's unit to mitigate exterior noise. Pursuant to the tribunal hearing on 13 June 2023, SkyWorld Development agreed to switch off the exhaust fan and to only turn it on during emergency. The next tribunal hearing is set on 15 August 2023, and the case will be dismissed if the Complainant is satisfied with such recommendations. Should the Complainant decide to continue pursuing the matter, the Complainant is to bear additional legal costs to prove the case.

The Complainant claims that the exhaust fan / ducting located on the floor below her unit in SkyAwani Residences produces noise which disturbs and affects her quality of life. We have attempted to address the issue by moving the exhaust fan / ducting from the ceiling to the floor. Pursuant to the Guidelines for Environmental Noise Limits and Control published by the Department of Environment ("**DOE Guidelines**"), the sound level within the range of 60 dBA to 65 dBA is the recommended permissible sound level for suburban, urban residential and mixed development, and is generally deemed acceptable to the occupiers in the said residential areas. As such, we are of the view that the average noise

12. FINANCIAL INFORMATION (CONT'D)

level of 52.1 dBA (as tested by and stated in the report prepared by SI Acoustic Sdn Bhd, the Complainant's engineering consultant) which allegedly affects the Complainant is at an acceptable ordinary level as it does not exceed the range of permissible and acceptable sound level as set out in the DOE Guidelines. In addition, there are no similar complaints filed by surrounding residents and in any event, we do not consider this a construction defect. As such, our Board of Directors are of the view that this claim will not have any material adverse impact on our Group's financial position or business position.

(h) Purchaser ("Complainant 2") vs SkyAwani 2 Development

The Complainant 2 filed a tribunal claim pursuant to the Strata Management Regulations on 10 March 2023 against SkyAwani 2 Development to resolve the issues relating to the size of the space between the designated parking lot of the Complainant 2 ("**Parking Lot**") and the opposite parking bay ("**Aisle**").

The Complainant 2 claims that the width of the Aisle measuring only 4.8 metres (measured by the architect and witnessed by the DBKL officer) does not comply with the DBKL's requirement of at least 6 metres pursuant to its guidelines for carpark and internal traffic circulation. As such, the Complainant 2 is claiming for another parking bay as substitution for the Parking Lot or alternatively, a sum of RM30,000.00 being the monetary compensation for the acquisition of a new parking lot. As SkyAwani II Residences is duly certified with a Certificate of Completion and Compliance by the appointed architect, we are of the view that this claim is an abuse of power of the Strata Management Tribunal. The hearing of the claim before the Strata Management Tribunal was on 30 May 2023 where the Complainant 2 had withdrawn the claim against SkyAwani 2 Development.

(i) Messrs Dorairaj, Low & Teh ("DLT") vs SkyWorld Development and 6 others

Pursuant to a term sheet entered into between the representatives of SkyWorld Development and 6 individuals (collectively, "**Land Owners**") on 14 July 2022 made on a "subject to contract" basis ("**Term Sheet**"), the Land Owners agreed to sell to SkyWorld Development 2 parcels of lands. The terms of the Term Sheet include, among others, for the sale and purchase agreement for such acquisitions to be executed within 21 days from the date of the Term Sheet and for 2% of the purchase price, being the amount of RM1,540,000.00 ("**Earnest Deposit**"), to be deposited with the DLT (i.e. Land Owners' solicitors) as stakeholder.

SkyWorld Development decided to not proceed with the acquisition as the market value of the lands did not support the proposed purchase price pursuant to the land valuation conducted. Both SkyWorld Development and the Land Owners claim for the payment of the Earnest Deposit from DLT. As such, DLT filed an interpleader application under Order 17 of the Rules of Court 2012 for the Court's determination of the claims between the parties. Pursuant to the case management on 24 May 2023, the Court had directed DLT (as applicant) to file its affidavit in reply on 14 June 2023. The next case management is fixed on 15 June 2023.

Our Board of Directors are of the view that this claim will not have any material adverse impact on the Group's financial position or business position.

Save as disclosed above, our Group is not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)**12.7.2 Contingent liabilities**

As at the LPD, we do not have any other material contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

12.8 KEY FINANCIAL RATIOS

Our key financial ratios for the Financial Years Under Review and FPE 2023 are as follows:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Trade receivable turnover period (days) ⁽¹⁾	16	28	26	18
Trade payable turnover period (days) ⁽²⁾	106	147	94	69
Current ratio (times) ⁽³⁾	1.26	1.01	1.33	1.23
Gearing ratio (times) ^{(4) (6)}	1.39	1.09	0.96	0.81
Net gearing ratio (times) ^{(5) (6)}	0.86	0.64	0.36	0.21

Notes:

- (1) Based on average trade receivables as at the beginning and end of the respective financial year over total revenue of the respective financial years / period, and multiplied by 365 days / 275 days.
- (2) Based on average trade payables as at the beginning and end of respective financial year over total cost of sales of the respective financial years / period, and multiplied by 365 days / 275 days.
- (3) Based on current assets over current liabilities.
- (4) Based on total bank borrowings over total equity.
- (5) Based on total bank borrowings less deposit, bank and cash balances over total equity.
- (6) We have established a rated ICP and IMTN programme of RM300 million for a tenure of 7 years. The issuance of the ICP and IMTN will result in an increase in the gearing ratio. Further details of the ICP and IMTN programme are set out in Section 7.23.2 of this Prospectus.

12.8.1 Trade receivable turnover period

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Trade receivables ⁽¹⁾	19,193	55,520	58,890	23,280
Trade receivable turnover period (days) ⁽²⁾	16	28	26	18

Notes:

- (1) Excluded stakeholders' sums of RM42.36 million, RM23.20 million, RM15.32 million and RM36.74 million as at FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively and impairment (loss of allowances) of RM0.14 million as at FYE 2022. The stakeholders' sums are held by solicitors upon handing over vacant possession to individual purchasers of development properties. The stakeholders' sums were excluded from the computation of trade receivable turnover period as there is no credit period for the stakeholders' sums and the stakeholders' sum will be paid from 8 to 24 months after the delivery of the vacant possession. Please refer to Section 13 Note 22 of this Prospectus for further details.

There was an impairment (loss in allowance) of RM0.14 million refers to the provision of doubtful debt pertaining to an amount owing by a purchaser from the Ascenda Residences development.

- (2) Based on average trade receivables as at the beginning and end of the respective financial year over total revenue of the respective financial years / periods, and multiplied by 365 / 275 days.

12. FINANCIAL INFORMATION (CONT'D)

We typically offer our customers 30 days of credit term period from the date of invoice and progress billings. In addition, we impose an interest rate of 10% per annum on outstanding amounts that past due the credit term offered.

The trade receivables turnover period increased from 16 days in FYE 2020 to 28 days in FYE 2021 and 26 days in FYE 2022. Despite the increase in the trade receivables turnover period, it still falls within the credit period granted.

The increase in trade receivables turnover period to 28 days and 26 days in FYE 2021 and FYE 2022 respectively compared to 16 days in FYE 2020. This was mainly due to the longer time taken for financial institutions to release the first drawdown of the home loan. This also takes into consideration the timing involved in processing the necessary legal documentation during the various MCO periods for FYE 2021 and FYE 2022. The developments affected by the timing involved in the processing documentation to release the first drawdown of home loan are mainly SkyAwani IV Residences, SkyAwani V Residences, SkySierra Residences (The Valley) and SkyMeridien Residences.

The trade receivable turnover period improved to 18 days for the FPE 2023 compared to 26 days FYE 2022, attributed to the timely collections arising from the release of the subsequent drawdown of the home loan for the ongoing projects including SkySierra Residences (The Valley), SkyVogue Residences and SkyAwani IV Residences during the FPE 2023.

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

	Not past due	Past Due			Total
		1-30 days	31-90 days	More than 90 days	
Trade receivables	(1) 21,716	1,022	105	437	23,280
% contribution	93.28%	4.39%	0.45%	1.88%	100.00%
Impairment / allowance for doubtful debts as at FPE 2023	-	-	-	(87)	(87)
Subsequent collections as at the LPD	(21,711)	(1,022)	(94)	(136)	(22,963)
Net trade receivables after subsequent collections	5	-	11	214	230

Note:

(1) Excluded stakeholders' sums of RM36.74 million as at FPE 2023.

As at the LPD, we have collected RM22.96 million or 98.63% of the total trade receivables which were outstanding as at 31 December 2022. The balance outstanding of RM0.23 million was past due contributed by RM0.21 million that was past due for more than 90 days and RM0.01 million that was past due between 31 and 90 days. The balance outstanding that was past due for more than 90 days mainly comprise of RM0.06 million attributed to the sales of 1 unit of apartment of the SkySierra Residences (The Valley) that was subsequently cancelled in April 2022. The balance outstanding that was past due between 31 and 90 days was mainly attributed to the remaining unearned staff discount of RM0.03 million for 1 unit of apartment of the SkySierra Residences (The Valley). The staff discount is part of employee's benefits offered by our Group. The said benefit is subjected to a bonding period of 36 months where the staff discount will be reversed from trade receivables by way of credit note as and when it is earned throughout the bonding period. The staff discount is applicable to confirmed employees of our Group and their immediate family members. Immediate family members are defined as legal spouse and legal children of the confirmed employee. For the avoidance of doubt, for purchase by confirmed

12. FINANCIAL INFORMATION (CONT'D)

employee and / or immediate family members, the confirmed employee will be subjected to the bonding period of 36 months.

As for the trade receivables which are not past due, according to the schedule of payment outlined in the SPA, customers or financial institutions are required to settle the amount within 30 days after the completion of the construction stages stipulated in the SPA. We will communicate with the respective customers or financial institutions on the payment status once the amount is due for payment.

As at the LPD, a provision of doubtful debt amounting to RM0.09 million has been made for the trade receivables.

12.8.2 Trade payable turnover period

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Trade payables ⁽¹⁾	97,116	173,958	105,605	101,357
Trade payable turnover period (days) ⁽²⁾	106	147	94	69

Notes:

- (1) *Excluded retention sums of RM51.41 million, RM67.90 million, RM84.87 million and RM65.95 million as at FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.*
- (2) *Based on average trade payables as at the beginning and end of the respective financial year over total cost of sales of the respective financial years / period, and multiplied by 365 days / 275 days.*

We deal with our trade payables mainly contractors and suppliers on credit terms. The normal credit terms given by our trade payables range from 30 to 90 days. Our trade payable turnover period was 106 days, 147 days and 94 days as at FYE 2020, FYE 2021 and FYE 2022 respectively which exceeded the credit period given.

In FYE 2020, our trade payables turnover day was 106 days, mainly attributed to the amount payable to Zalam Corporation Sdn Bhd for the arbitration case prior to the finalisation of the tripartite settlement agreement. Please refer to Section 15.5 (iii) of this Prospectus for further details on the tripartite settlement agreement. The trade payables turnover day increased from 106 days in FYE 2020 to 147 days in FYE 2021. This was mainly attributed to higher trade payables relating to outstanding balances on the amount owing to contractors. The higher trade payables as at FYE 2021 mainly due to higher progress claims submitted by the contractors on the construction works done of various developments at the end of FYE 2021. This contributed to an increase in turnover days as we took time to validate the documentation as part of our payment processing procedures. The outstanding claims mainly arise from works done for the SkyAwani III Residences, SkyAwani IV Residences, SkySierra Residences (The Valley), SkyMeridien Residences, and EdgeWood Residences.

The trade payables turnover day improved from 147 days in FYE 2021 to 94 days in FYE 2022, which was mainly attributed to higher payments of trade payables including contractors and suppliers for several developments including SkyAwani III Residences, SkyAwani IV Residences, SkySierra Residences (The Valley), SkyMeridien Residences and EdgeWood Residences.

Despite the improvements in payments to trade payables, the trade payables turnover was 94 days which exceeded the credit period given as at FYE 2022. This was mainly attributed to overdue payables for the construction of the SkyArena Sports Complex pursuant to the Land Swap Agreement, and past due payables relating to the Bennington Residences.

Our trade payable turnover period declined to 69 days as at FPE 2023 compared to 94 days as at FYE 2022. This was mainly due to timely payments to contractors during the FPE 2023.

12. FINANCIAL INFORMATION (CONT'D)

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

	Not past due	Past due			Total
		1 - 30 days	31 - 90 days	More than 90 days	
		RM'000	RM'000	RM'000	
Trade payables	(1) 98,992	1,981	106	278	101,357
% contribution	97.67%	1.95%	0.10%	0.28%	100.00%
Subsequent payments as at the LPD	(84,182)	(1,981)	(106)	(51)	(86,320)
Net trade payables after subsequent payments	14,810	-	-	227	15,037

Note:

(1) Excluded retention sums of RM65.95 million as at FPE 2023.

As at the LPD, we have settled RM86.32 million or 85.16% of the total trade payables which were outstanding as at 31 December 2022. The past due outstanding of RM0.23 million of the net trade payables as at the LPD was mainly attributed to amount owing to contractors and professionals for SkyLuxe On The Park Residences and Curvo Residences, pending final acceptance of work done by the contractors and professionals.

The measures to address the past due trade payables include following-up with the contractors and professionals to finalise the acceptance of work.

As at the LPD, there are no disputes in respect of any trade payables and no legal action has been initiated by our suppliers or contractors to demand for payment. Nevertheless, we will continue to monitor the payment processes for payments.

12.8.3 Current ratio

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Current assets	532,346	634,586	808,353	656,491
Current liabilities	423,779	628,473	606,834	533,828
Current ratio (times) ⁽¹⁾	1.26	1.01	1.33	1.23

Note:

(1) Based on current assets over current liabilities.

Our current ratio decreased from 1.26 times as at FYE 2020 to 1.01 times as at FYE 2021. This was mainly attributed to the higher land cost payables arising from a reclassification of land cost payables amounting to RM75.16 million from non-current liabilities to current liabilities in FYE 2021 for SkySierra Land. The reclassification arising from the land cost payable is expected to be settled within 12 months during the FYE 2022 pursuant to the conditions stipulated in the SkySierra SPA. The settlement of the land cost payables for SkySierra Land was made on 13 January 2023. In addition, higher outstanding trade payables as a result of timing of progress claims submitted by our contractors in the last quarter of FYE 2021 which were subject to our internal validation process, as well as higher contract liabilities also contributed to the increase in current liabilities.

Our current ratio increased from 1.01 times as at FYE 2021 to 1.33 times as at FYE 2022. This was mainly due to the increase in cash and bank balances contributed by the higher balances from the Housing Development Accounts arising from higher collections as mentioned above.

12. FINANCIAL INFORMATION (CONT'D)

This was also partly due to the increase in contract assets of RM83.53 million mainly contributed by higher accrued billings arising from the development cost incurred for SkyAwani III Residences development which has yet to bill the purchasers.

Our current ratio decreased to 1.23 times as at FPE 2023 compared to 1.33 times as at FYE 2022, mainly attributed to the follows:

- lower current assets arising from decrease in inventories of property development costs mainly attributable to the recognition of property development cost to cost of sales driven by the increase in progress of our construction activities coupled with additional units sold for EdgeWood Residences and SkySierra Residences (The Valley);
- no accrued billings from SkyAwani III Residences during the FPE 2023;
- decrease in other receivables, refundable deposits and prepaid expenses;
- decrease in inventories of completed properties attributed to a total of 73 completed units sold; and
- lower outstanding balances at the end of FPE 2023 mainly resulted from balance stakeholder sum collections from completed developments.

Please refer to Section 12.3.13 of this Prospectus for further details.

12.8.4 Gearing ratio

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Bank borrowings ⁽¹⁾	412,008	392,502	448,021	452,545
Deposits, bank and cash balances	154,751	161,622	280,472	337,920
Total equity	297,466	360,770	465,056	555,930
Gearing ratio (times) ^{(2) (4)}	1.39	1.09	0.96	0.81
Net gearing ratio (times) ^{(3) (4)}	0.86	0.64	0.36	0.21

Notes:

(1) Bank borrowings consist of term loans, bank overdrafts and bridging loans.

(2) Based on total bank borrowings over total equity.

(3) Based on total bank borrowings less deposits, bank and cash balances over total equity.

(4) We have established a rated ICP and IMTN programme of RM300 million for a tenure of 7 years. The issuance of the ICP and IMTN will result in an increase in the gearing ratio. Further details of the ICP and IMTN programme are set out in Section 7.23.2 of this Prospectus.

Our gearing ratio improved from 1.39 times as at FYE 2020 to 1.09 times as at FYE 2021, mainly due to a decrease in borrowings by RM19.51 million as well as an increase in retained earnings. The decrease in borrowing by RM19.51 million in FY2021 resulted from the net repayment of borrowings for financing of a serviced apartment development, namely SkyMeridien Residences. Our retained earnings increased by RM59.54 million from RM237.96 million in FYE 2020 to RM297.51 million in FYE 2021.

Our gearing ratio improved from 1.09 times as at FYE 2021 to 0.96 times as at FYE 2022 mainly due to an increase in retained earnings by RM105.87 million from RM297.51 million in FYE 2021 to RM403.38 million in FYE 2022 while the bank borrowings increased to RM448.02 million as at

12. FINANCIAL INFORMATION (CONT'D)

FYE 2022 (FYE 2021: RM392.50 million) mainly due to an increase in term loans to fund the Group's property development operations.

Our gearing ratio reduced to 0.81 times as at FPE 2023 compared to 0.96 times as at FYE 2022, mainly attributed to the repayments of bank borrowings during the FPE 2023 as well as increase in retained earnings. Our retained earnings increased by RM85.81 million to RM489.19 million in FPE 2023 compared to RM403.38 million in FYE 2022.

12.8.5 Inventory aging analysis

Our inventories refer to the completed properties that we developed. For the Financial Years Under Review and FPE 2023, our inventories of completed properties are set out below:

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Inventories of completed properties				
<i>By development and property type</i>				
SkyMeridien Residences (serviced apartment units)	-	-	52,947	25,708
Bennington Residences (apartment units)	37,761	23,849	17,255	13,786
SkyAwani II Residences (office and shop units)	8,700	8,557	8,759	8,479
SkyAwani Residences (shop units)	8,929	8,018	1,244	-
Total	55,390	40,424	80,205	47,973

	<u>Number of completed units</u>			
	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Inventories of completed properties				
<i>By development and property type</i>				
SkyMeridien Residences (serviced apartment units)	-	-	121	59
Bennington Residences (apartment units)	65	40	31	24
SkyAwani II Residences (office and shop units)	61	61	61	59
SkyAwani Residences (shop units)	21	20	2	-
Total	147	121	215	142

In FYE 2021, the decrease in inventories was mainly attributed to the following:

- (i) 25 units of apartment units were sold from Bennington Residences development during FYE 2021 including 8 units of contra payments against the outstanding payables with Zalam Corporation Sdn Bhd pursuant to the tripartite settlement.
- (ii) 1 unit was sold in FYE 2021 from the SkyAwani Residences inventories.

In FYE 2022, the increase in inventories was mainly attributed to the inventories of 121 completed units from SkyMeridien Residences development where the development was completed during FYE 2022. In the same financial year, there were 18 units were sold from the SkyAwani Residences inventories and 9 units of apartment units were sold from the Bennington Residences development. In FPE 2023, the decrease in inventories was mainly attributed to 62 units sold for SkyMeridien Residences, 7 units sold for Bennington Residences, 2 units sold for SkyAwani II Residences and 2 units sold for SkyAwani Residences.

12. FINANCIAL INFORMATION (CONT'D)

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

	Less than 1 year	1 year to less than 2 years	More than 2 years	Total
	RM'000	RM'000	RM'000	RM'000
Inventories of completed properties as at 31 December 2022	-	25,708	22,265	47,973
<i>% of the total inventories</i>	-	53.59%	46.41%	100.00%
By development RM'000	RM'000	RM'000	RM'000	RM'000
<i>SkyMeridien Residences (serviced apartment)</i>	-	25,708	-	25,708
<i>Bennington Residences (apartment)</i>	-	-	13,786	13,786
<i>SkyAwani II Residences (office and shops)</i>	-	-	8,479	8,479
<i>SkyAwani Residences (shops)</i>	-	-	-	-
Subsequent sales of inventories as at the LPD	-	-	8,724	8,724
<i>SkyMeridien Residences (serviced apartment)</i>	-	-	6,122	6,122
<i>Bennington Residences (apartment)</i>	-	-	2,370	2,370
<i>SkyAwani II Residences (office and shops)</i>	-	-	232	232
<i>SkyAwani Residences (shops)</i>	-	-	-	-
Net inventories as at the LPD	-	-	39,249	39,249
<i>SkyMeridien Residences (serviced apartment)</i>	-	-	19,586	19,586
<i>Bennington Residences (apartment)</i>	-	-	11,416	11,416
<i>SkyAwani II Residences (office and shops)</i>	-	-	8,247	8,247
<i>SkyAwani Residences (shops)</i>	-	-	-	-

In FYE 2020, there was a written down of inventories of completed properties of RM1.42 million in relation to a lower net realisable value of 1 unit completed commercial properties from SkyAwani Residences development as the net realisable value was lower than the estimated selling price during the financial period assessment for FYE 2020. In FYE 2021, FYE 2022 and FPE 2023, there was no written down of inventories of completed properties.

The accounting policy for inventories consists of completed development properties, which are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs to completion and the estimated costs necessary to make the sale.

Inventories turnover

The inventory turnover period for our completed properties as set out as below:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM '000	RM '000	RM '000	RM'000
Inventory – completed properties	55,390	40,424	80,205	47,973
Cost of sales of property development	311,123	336,584	542,410	414,724
Inventory turnover period (days) ⁽¹⁾	39	52	41	42

12. FINANCIAL INFORMATION (CONT'D)**Note:**

- (1) *Computed based on the average beginning and ending balance of completed properties held for sale classified under inventories divided by the aggregate of our cost of property development classified under our cost of sales of the respective financial years / period and multiplied by 365 days / 275 days.*

FYE 2021 compared to FYE 2020

The turnover period of our completed properties increased to 52 days as at FYE 2021 compared to 39 days as at FYE 2020, mainly attributed to the higher average inventory of completed properties where it registered a growth of 44.11% while the increase in cost of sales of property development was only 8.18%. The higher average inventory of completed properties arises from higher inventory of completed properties from Bennington Residences and SkyAwani II Residences which were completed in FYE 2020.

Meanwhile, the inventory of completed properties declined to RM40.42 million as at FYE 2021 as there were 25 units of apartment units were sold from Bennington Residences during FYE 2021.

FYE 2021 compared to FYE 2022

The turnover period of our completed properties declined to 41 days as at FYE 2022 compared to 52 days as at FYE 2021, mainly attributed to the higher cost of sales in FYE 2022 arising from higher cumulative sales and higher construction progress during the financial year.

Meanwhile, the inventory of completed properties increased to RM80.21 million as at FYE 2022 mainly attributed to 121 completed units from SkyMeridien Residences where the development was completed during FYE 2022.

FPE 2023 compared to FYE 2022

The turnover period of our completed properties increased to 42 days as at FPE 2023 compared to 41 days as at FYE 2022, mainly attributed to the lower cost of sales in FPE 2023.

Meanwhile, the inventory of completed properties reduced to RM47.97 million as at FPE 2023 mainly attributed to a total of 73 completed units sold comprising 62 units of serviced apartment from the SkyMeridien Residences, 7 units from the Bennington Residences, as well as a total of 4 commercial units from SkyAwani Residences and SkyAwani II Residences during the FPE 2023.

12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Our business is subject to the risks relating to government, economic, fiscal or monetary policies. Any unfavourable changes in the government policies, economic conditions, or fiscal or monetary policies may materially affect our operations in Malaysia. Please refer to Section 9.2.3 of this Prospectus for further details.

12.10 IMPACT OF INFLATION

Our financial performances for the Financial Years Under Review and FPE 2023 were not materially affected by the impact of inflation. Nevertheless, there can be no assurance that future inflation would not have an impact on our business and financial performance.

12. FINANCIAL INFORMATION (CONT'D)

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

We are exposed to market risks arising from our operations and use of financial instruments. Our key market risk exposures are to interest rate risk, commodity price fluctuations and foreign exchange risk.

Interest rate risk

All our borrowings are interest bearing obligations. Any hikes in interest rates would affect our financial performance. Our finance cost mainly comprises interest charges on banking facilities including term loans, bank overdrafts and bridging loans that are granted by banks and financial institutions. In this respect, we may be exposed to the liquidity risk that arises principally from our borrowings and the timing of costs incurred and collections from the purchasers of our properties.

As at 31 December 2022, our bank borrowings of RM452.55 million were interest bearing which are based on floating interest rates. Our finance cost increased from RM15.65 million in FYE 2020 to RM18.51 million in FYE 2021 and RM17.74 million in FYE 2022. In FPE 2023, our finance cost was RM11.47 million. In this respect, any increases in interest rates may impact on our financial performance. For the Financial Years Under Review, FPE 2023 and up to the LPD, we have not defaulted on any payments of either principal and / or interests in relation to our borrowings. For further details, please refer to Section 9.1.6 of this Prospectus.

Commodity price fluctuation risk

Our financial performances for the Financial Years Under Review and FPE 2023 were not materially affected by the impact of fluctuation of commodity prices on the relevant building materials such as steel and concrete materials as we engage contractors to carry out the construction of our property developments under our management and supervision. Generally, the contractors are responsible for the construction works as well as the supply of building materials such as steel and concrete materials which are commodities that are subject to price fluctuations. Our contracts with contractors are typically fixed lump sum contracts where the cost of construction is fixed regardless of building material price fluctuations. Nonetheless, as a property developer, we have a budgeted development cost for our property development which would have taken into consideration the prices of steel and concrete as any increases in the price of the building materials would increase the construction costs. Nevertheless, there can be no assurance that future fluctuation in commodity prices of the said relevant building materials would not have an impact on our business and financial performance as any increases in construction costs in the future would affect the pricing of our development, margins and profitability.

Foreign exchange risk

For the Financial Years Under Review, FPE 2023 and up to the LPD, we were not materially affected by the impact of fluctuation of foreign exchange rates as all of our revenue and our purchases are transacted in RM. Nevertheless, there can be no assurance that future fluctuation in foreign exchange rates would not have an impact on our business and financial performance.

12.12 ORDER BOOK

Due to the nature of our business as a property developer, we do not maintain an order book for our property development operations. We generate our revenue from property development operations from the sales of properties from the development in progress, while inventory sales of completed properties are upon the completion of the SPA.

12. FINANCIAL INFORMATION (CONT'D)**12.13 TREND INFORMATION**

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and risk factors in Section 9 of this Prospectus;
- (ii) material commitment for capital expenditure, as set out in Section 12.6 of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and risk factors in Section 9 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and / or profits save for those that have been disclosed in this section, industry overview as set out in Section 8 of this Prospectus and business strategies as set out in Section 7.7 of this Prospectus;
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and risk factors in Section 9 of this Prospectus; and
- (vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and risk factors in Section 9 of this Prospectus.

12.14 RECENT DEVELOPMENTS

- (a) On 31 January 2023, our Group had, via its subsidiary, SkyWorld Capital, lodged the ICP and IMTN Programme amounting to RM300,000,000 in nominal value. The ICP and IMTN Programme is intended for various business conduct including investing activities and working capital requirements. On 10 May 2023, our Group had issued the 1st sub-tranche of ICP under the ICP and IMTN programme amounting to RM1,000,000 with a tenure of 92 days at the interest rate of 4.30%.
- (b) On 30 March 2023, our Company acquired the remaining equity interest comprising 2 ordinary shares in SkySierra Development for a total consideration of RM2 via cash. Consequentially, our Company's equity interest in SkySierra Development increased from 99.99% to 100% and SkySierra Development became a wholly-owned subsidiary of our Company.
- (c) On 3 May 2023, our Company had undertaken a Bonus Issue of Shares. The Bonus Issue of Shares was undertaken without any capitalisation from the reserves of our Company and that the Bonus Shares were issued as fully paid shares at nil consideration. Consequentially, our issued share capital after the effect of the Bonus Issue of Shares increased to RM62,500,000 comprising of 767,000,000 Shares.
- (d) Concurrently with the Bonus Issue of Shares, our Company has undertaken a Bonus Issue of ICPS. The Bonus Issue of ICPS was undertaken by way of capitalisation from the reserves of our Company amounting to RM150,000,000. Consequentially, our issued

12. FINANCIAL INFORMATION (CONT'D)

share capital after the effect of the Bonus Issue of ICPS increased to (i) RM62,500,000 comprising of 767,000,000 Shares and (ii) RM150,000,000 comprising 187,500,000 ICPS.

- (e) On 11 May 2023, the acquisition of the remaining 40% equity interest of NTP World Corporation was completed and NTP World Corporation became a wholly-owned subsidiary of our Company. Consequentially, our issued share capital after the effect of the Acquisition increased to (i) RM82,500,000 comprising of RM792,000,000 Shares and (ii) RM150,000,000 comprising 187,500,000 ICPS.

Please refer to Section 13 Note 41 of this Prospectus for further details on significant events subsequent to the FPE 2023 and Section 6.4 of this Prospectus for further details on our Subsidiaries.

12.15 DIVIDENDS

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

We target a payout ratio of 20.0% of our PAT attributable to owners of our Company for each financial year on a consolidated basis after taking into account our Group's working capital requirements, subject to any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our cash requirements or any plans approved by our Board.

Our Group's ability to distribute dividends to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for the working capital of our business. Our ability to declare and pay dividends is subject to the discretion of our Board. Our Directors will take into consideration, amongst others, the following factors when recommending or declaring any dividends:

- (i) the availability of adequate reserves and cash flows;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions and expansion taking into consideration projected capital expenditure and investment plans;
- (iv) our working capital requirements;
- (v) any contractual restrictions and / or commitments; and
- (vi) prior written consent from financial institutions, where required.

As at the LPD, save for any applicable financial covenants and the Act, and subject to the availability of distributable profits and reserves, there are no dividend restrictions imposed on us or our Subsidiaries.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modifications (including non-declaration thereof) at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. Please refer to Section 9.3.7 of this Prospectus for factors which may affect or restrict our ability to pay dividends.

No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

For the Financial Years Under Review, FPE 2023 and up to the LPD, there was no dividend declared, made or paid by us to shareholders.

12. FINANCIAL INFORMATION (CONT'D)

12.16 INDEPENDENT ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

Deloitte.

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INDEPENDENT ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS OF SKYWORLD DEVELOPMENT BERHAD

Report on the Compilation of Pro Forma Financial Information Included in a Prospectus.

We have completed our assurance engagement to report on the compilation of pro forma financial information of SkyWorld Development Berhad ("the Company") and its subsidiaries (collectively known as "the Group") as at 31 December 2022 and its related notes as prepared by the directors of the Company.

The pro forma financial information consisting of the pro forma consolidated statements of financial position of the Group as at 31 December 2022 and the pro forma consolidated statements of profit or loss and other comprehensive income and pro forma consolidated statements of cash flows for the nine-months financial period ended 31 December 2022 and its related notes is as set out in the accompanying attachment and stamped by us for the purpose of identification. The pro forma financial information have been prepared for inclusion in a Prospectus to be issued in connection with the proposed admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Proposal").

The applicable criteria on the basis of which the directors of the Company have compiled the pro forma financial information are described in Note 2 to the pro forma financial information. The pro forma financial information is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission of Malaysia (the "Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the events or transactions, as set out in Note 4 to the pro forma financial information on the Group's financial position as at 31 December 2022 as if the events or transactions had taken place as at 31 December 2022. As part of this process, information about the Group's financial position has been extracted by the directors of the Company from the respective subsidiaries' financial information for the nine-months financial period ended 31 December 2022, on which an auditors' report has been published.

Directors' Responsibilities

The directors of the Company are responsible for preparing the compilation of pro forma financial information on the basis set out in the notes thereon in accordance with the requirements of the Prospectus Guidelines.

(Forward)

12. FINANCIAL INFORMATION (CONT'D)

Our Independence and Quality Control

We are independent 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 the IESBA Code.

The firm applies Malaysian Standard on Quality Management 1 ("ISQM-1") *Quality Management for Firms that Perform Audits or Reviews of Historical Financial Statements, or Other Assurance or Related Services Engagements*, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the pro forma financial information has been properly compiled, in all material respects, by the directors of the Company on the basis set out in the note 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 as adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled, in all material respects, the pro forma financial information 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 financial information, nor have we, in the course of this engagement, performed an audit or a review of the financial information used in compiling the pro forma financial information.

The purpose of the pro forma financial information is solely to illustrate the impact of a significant event or a transaction on unadjusted financial information of the Company 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 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been prepared, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors of the Company in the compilation of the pro forma financial information 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 financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected, depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the pro forma financial information has been prepared and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

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

(Forward)

12. FINANCIAL INFORMATION (CONT'D)

Opinion

In our opinion, the pro forma financial information has been properly compiled, in all material respects, on the basis as set out in Note 2 to the pro forma financial information and in accordance with the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

Other Matters

This report has been issued for the sole purpose of inclusion in a prospectus to be issued in connection with the Proposal (in compliance with the Prospectus Guidelines). As such, this letter is not to be used, circulated, quoted or otherwise referred to, for any other purposes nor is it to be filed with, reproduced, copied, disclosed or referred, in whole or in part, in any document other than the Proposal.



DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)



WONG YEW CHOONG
Partner – 03169/06/2023 J
Chartered Accountant

24 May 2023

12. FINANCIAL INFORMATION (CONT'D)**SKYWORLD DEVELOPMENT BERHAD (THE "COMPANY")
AND ITS SUBSIDIARIES (THE "GROUP")
PRO FORMA FINANCIAL INFORMATION****1. GENERAL****1.1 Pro forma financial information**

The pro forma financial information should be read in conjunction with the historical financial statements of the Group for the nine-months financial period ended 31 December 2022 ("FPE 2023").

The pro forma financial information has been prepared for inclusion in the Prospectus of the Company in connection with the proposed admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad.

The Company is a public limited liability company, incorporated and domiciled in Malaysia.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located Level 8, Block B, Wisma NTP World, Excella Business Park, Jalan Ampang Putra, Ampang, 55100 Kuala Lumpur.

The pro forma financial information of the Company are prepared for illustrative purposes only. The pro forma financial information comprises the following:

- Note 3 - Pro forma consolidated statements of profit or loss and other comprehensive income for the FPE 2023
- Note 4 - Pro forma consolidated statements of financial position as at 31 December 2022
- Note 5 - Pro forma consolidated statements of cash flows for the FPE 2023

1.2 Abbreviations and formulas

Unless the context otherwise requires, the following words, abbreviations and formulas shall apply throughout this report:

Abbreviations

Acquisition	The acquisition by the Company of the remaining 40% equity interest in NTP World Corporation comprising 2,000,000 ordinary shares for a purchase consideration of RM20,000,000 satisfied wholly by the issuance of 25,000,000 new Shares at an issue price of RM0.80 per Share, as set out in Section 6.5.1 of the Prospectus
Admission	Admission of the Company's Shares to the Official List of the Main Market
Bursa Securities	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
EPS	Earnings per Share
FPE 2023	Nine-months financial period ended 31 December 2022

12. FINANCIAL INFORMATION (CONT'D)

GP	Gross profit
ICPS	Irredeemable convertible preference shares
IFRS	International Financial Reporting Standards
IPO	Initial public offering comprising the Public Issue and offer for sale, collectively
Listing	Admission to the Official List and the listing of and quotation for our entire enlarged issued share capital on the Main Market
Listing Exercise	Listing of and quotation for the entire enlarged share capital of the Company on the Main Market
Listing Scheme	The Pre-IPO Exercise, IPO and the Listing, collectively
Main Market	Main Market of Bursa Securities
MFRS	Malaysian Financial Reporting Standards, as issued by the Malaysian Accounting Standards Board
NA	Net assets
New Shares Issuance	The issuance of new shares resulting from the exercises undertaken as set out in Note 2
NL	Net liabilities
NTP World Corporation	NTP World Corporation Sdn Bhd (Registration No. 200601024810 (744564-D))
Official List	A list specifying all securities which have been admitted for listing which have not been removed from the Main Market
PAT	Profit after taxation
PBT	Profit before taxation
Pre-IPO Exercise	The Bonus Issue of Shares, the Bonus Issue of ICPS and the Acquisition, collectively
Prospectus	This prospectus issued by the Company
Public Issue	The invitation by the Company to the Malaysian public, eligible persons and institutional and selected investors to subscribe for the public issue shares at the IPO price, payable in full upon application, subject to the terms and conditions of this Prospectus
SkyWorld Development or Company	SkyWorld Development Berhad (Registration No. 200601034211 (753970 – X))
SkyWorld Shares or Share(s)	Ordinary share(s) in the Company

12. FINANCIAL INFORMATION (CONT'D)

Currencies and units

RM and sen Ringgit Malaysia and sen, the lawful currency of Malaysia

% Per centum

Formulas

GP/ PBT/ PAT margin = GP/ PBT/ PAT divided by revenue, respectively

Basic EPS = Profit attributable to the owners of the Company divided by the total number of SkyWorld Shares

NA per share = NA as at the date of the financial position divided by the number of SkyWorld Shares

Current ratio = total current assets divided by total current liabilities

Gross gearing ratio = total borrowings divided by total equity

Net gearing ratio = total borrowings net of cash and bank balances, divided by total equity

12. FINANCIAL INFORMATION (CONT'D)

1.3 BASIS OF PREPARATION OF PRO FORMA FINANCIAL INFORMATION

The pro forma financial information has been compiled based on the audited financial statements of the Group for the FPE 2023.

The pro forma financial information is presented in RM.

The pro forma financial information which should be read in conjunction with the notes thereto has been prepared for illustrative purposes only to reflect what:

- (i) the consolidated financial results of the Group for the FPE 2023 would have been, if the subsequent event and Listing Scheme had been completed by 31 December 2022;
 - (ii) the consolidated financial position of the Group as at 31 December 2022 would have been, if the subsequent event and Listing Scheme had been completed on 31 December 2022; and
 - (iii) the consolidated cash flows of the Group for the FPE 2023 would have been, if the subsequent event and Listing Scheme had been completed by 31 December 2022.
- 1.4 The pro forma financial information is prepared using the bases and accounting principles consistent with those adopted in the preparation of the statutory financial statements of the Group for the FPE 2023.
- The financial statements of SkyWorld Development Berhad and its subsidiaries for the FPE 2023 have been prepared in accordance with MFRS and IFRS.
- 1.5 For illustrative purposes, in arriving at the pro forma consolidated statements of profit or loss and other comprehensive income for the FPE 2023, it is assumed that the subsequent event and Listing Scheme as mentioned in **Note 2.0** are completed on 31 December 2022. Income and expenses arising from the subsequent event and Listing Scheme are recognised on 31 December 2022.
- 1.6 For illustrative purposes, in arriving at the pro forma consolidated statements of financial position as at 31 December 2022, it is assumed that the subsequent event and Listing Scheme as mentioned in **Note 2.0** are completed on 31 December 2022. Payment and receipt for funds arising from the subsequent event and Listing Scheme are received/utilised on 31 December 2022.
- 1.7 For illustrative purposes, in arriving at the pro forma consolidated statements of cash flows for the FPE 2023, it is assumed that the subsequent event and Listing Scheme as mentioned in **Note 2.0** below are completed on 31 December 2022. Payment and receipt for funds arising from the subsequent event and Listing Scheme are received/utilised on 31 December 2022.

12. FINANCIAL INFORMATION (CONT'D)**2.0 SUBSEQUENT EVENT AND LISTING SCHEME****Subsequent Event**

On 31 January 2023, the Group had, via its subsidiary, SkyWorld Capital Berhad, lodged a rated Islamic Commercial Paper ("ICP") and Islamic Medium Term Notes ("IMTN") programme amounting to RM300,000,000 in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar ("ICP and IMTN Programme"). The ICP and IMTN Programme is intended for various business conduct including investing activities and working capital requirements. On 10 May 2023, the Group had issued the first tranche of ICP under the ICP and IMTN Programme amounting to RM1,000,000 with a tenure of 92 days at the interest rate of 4.30%.

Listing Scheme

The Group is undertaking the listing of and quotation for its entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities. The listing scheme comprises the following:

2.1 Pre-IPO Exercise**2.1.1 Bonus Issue of Shares**

On 3 May 2023, the Company had undertaken a bonus issue of Shares on the basis of 1,409 Bonus Shares for every 125 existing Shares. The Bonus Issue of Shares was undertaken without any capitalisation from the reserves of the Company and that the new Shares issued pursuant to the Bonus Issue of Shares was issued as fully paid Shares at nil consideration.

Upon completion of the Bonus Issue of Shares, the resultant issued share capital of the Company is RM62.50 million comprising 767,000,000 Shares.

2.1.2 Bonus Issue of ICPS

Concurrently with the Bonus Issue of Shares, the Company had undertaken a bonus issue of ICPS on the basis of 3 ICPS for every 1 existing Share to its existing shareholders. The Bonus Issue of ICPS was undertaken by way of capitalisation from the reserves of the Company amounting to RM150.00 million. Please refer to Section 6.5.1 of the Prospectus for the salient terms of the ICPS.

For the avoidance of doubt, the new Shares issued pursuant to the conversion of the ICPS were issued as fully paid Shares at nil consideration. There was no cash payment upon conversion of the ICPS as set out in Note 2.4.

2.1.3 Acquisition

The Company had entered into a conditional sale and purchase agreement dated 12 September 2022 with its Promoter namely Zafid Bin Mohamad, to acquire the remaining 40% equity interest in NTP World Corporation comprising 2,000,000 ordinary shares for a purchase consideration of RM20.00 million satisfied wholly by the issuance of 25,000,000 new Shares at an issue price of RM0.80 per Share ("NTP World Corporation SSA").

Upon completion of the Acquisition on 11 May 2023, NTP World Corporation became a wholly-owned subsidiary of the Company. Following the completion of the Acquisition, the issued share capital increased from RM62.50 million comprising of 767,000,000 Shares to RM82.50 million comprising of 792,000,000 Shares.

The Pre-IPO Exercise known as "Pro Forma I" for the purpose of pro forma financial information.

12. FINANCIAL INFORMATION (CONT'D)**2.2 Public Issue**

The Public Issue of 208,000,000 Shares at the IPO Price representing approximately 20.80% of the Company's enlarged issued share capital will be made available in manner as set out in Section 4.3.1 of the Prospectus.

The completion of the Public Issue will result in an enlarged issued and paid-up share capital of SkyWorld from RM82.50 million comprising 792,000,000 SkyWorld Shares to RM248.90 million comprising 1,000,000,000 SkyWorld Shares, prior to the effect of estimated listing expenses as set out in Pro Forma III.

The Public Issue is known as "Pro Forma II" for the purpose of pro forma financial information.

2.3 Utilisation of proceeds

The gross proceeds of RM166.40 million which would accrue to the Group entirely from the Public Issue are planned to be utilised in the following manner:

	RM'000	RM'000
Acquisition of land for development		100,000
Working capital for project development		35,192
Repayment of bank borrowings		20,000
Estimated listing expenses ⁽¹⁾ :		
Professional fees	4,652	
Brokerage, underwriting and placement fees	5,142	
Regulatory fees	780	
Printing, advertising and other miscellaneous expenses	634	11,208
	<u>634</u>	<u>11,208</u>
		<u>166,400</u>

Note:

⁽¹⁾ As at 31 December 2022, the Group has incurred RM3.72 million in respect of estimated listing expenses in connection with the Proposal. The Group has charged out RM3.19 million to profit or loss as at FPE 2023 and recognised a prepaid expenses of RM0.53 million as at 31 December 2022. The prepaid expenses will be capitalised as a reduction to equity.

Out of the remaining estimated listing expenses to be incurred of RM7.50 million that are unpaid as at 31 December 2022, RM5.47 million will be capitalised as a reduction to equity and the remaining RM2.03 million will be charged to profit or loss upon completion of the IPO.

The utilisation of proceeds is known as "Pro Forma III" for the purpose of pro forma financial information.

2.4 Conversion of ICPS

The salient terms of the ICPS are made reference to Section 6.5.1 of the Prospectus.

Upon completion of conversion of ICPS, the issued share capital of the Group increased by RM150.00 million comprising 187,500,000 SkyWorld Shares.

The conversion of ICPS is known as "Pro Forma IV" for the purpose of pro forma financial information.

12. FINANCIAL INFORMATION (CONT'D)

3.0 PRO FORMA CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FPE 2023

The pro forma consolidated statements of profit and loss and other comprehensive income set out below has been compiled solely for illustration purposes to show the effects on the Group on the assumption that the subsequent event and Listing Scheme as set out in Note 2.0 have been effected by 31 December 2022 and should be read in conjunction with the notes in this section.

	Audited for FPE 2023 RM'000	Audited for FPE 2023 after subsequent event RM'000	Pro Forma I RM'000	Pro Forma II RM'000	Pro Forma III RM'000	Pro Forma IV RM'000
Revenue	615,461	615,461	615,461	615,461	615,461	615,461
Cost of sales	(414,790)	(414,790)	(414,790)	(414,790)	(414,790)	(414,790)
Gross profit	200,671	200,671	200,671	200,671	200,671	200,671
Other operating income	4,071	4,071	4,071	4,071	4,071	4,071
Selling and marketing expenses	(7,514)	(7,514)	(7,514)	(7,514)	(7,514)	(7,514)
Administrative expenses	(53,606)	(53,606)	(53,606)	(53,606)	(55,635)	(55,635)
Finance costs	(11,466)	(11,466)	(11,466)	(11,466)	(11,466)	(11,466)
Profit before tax	132,156	132,156	132,156	132,156	130,127	130,127
Income tax expense	(40,708)	(40,708)	(40,708)	(40,708)	(40,708)	(40,708)
Profit for the period	91,448	91,448	91,448	91,448	89,419	89,419
Profit attributable to:						
Owners of the Company	85,790	85,790	85,790	85,790	83,761	83,761
Non-controlling interests	5,658	5,658	5,658	5,658	5,658	5,658
	91,448	91,448	91,448	91,448	89,419	89,419

12. FINANCIAL INFORMATION (CONT'D)

	Audited for FPE 2023	Audited for FPE 2023 after subsequent event	Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV
Key Financial Ratios:						
No. of ordinary shares in issue (shares)	62,500,000	62,500,000	792,000,000	1,000,000,000	1,000,000,000	1,187,500,000
GP Margin (%)	32.60	32.60	32.60	32.60	32.60	32.60
PBT Margin (%)	21.47	21.47	21.47	21.47	21.14	21.14
PAT Margin (%)	14.86	14.86	14.86	14.86	14.53	14.53
Basic EPS (sen)	137.26	137.26	10.83	8.58	8.38	7.05

12. FINANCIAL INFORMATION (CONT'D)**3.1 Basis of preparation**

The pro forma consolidated statements of profit or loss and other comprehensive income for the FPE 2023 have been prepared for illustrative purposes only to show the effects on the audited consolidated statements of profit or loss and other comprehensive income of the Group for the FPE 2023 on the assumption that the subsequent event and Listing Scheme as set out in Note 2.0, have been effected on 31 December 2022, and should be read in conjunction with the Notes in this section.

The audited consolidated statements of profit or loss and other comprehensive income of the Group for the FPE 2023 used in the preparation of the pro forma consolidated statements of profit or loss and other comprehensive income were not subject to any qualifications, modifications or disclaimers.

The pro forma consolidated statements of profit or loss and other comprehensive income are not necessarily indicative of the future financial results that would have been attained had the subsequent event and Listing Scheme as set out in Note 2.0 actually occurred at the respective dates. The pro forma consolidated statements of profit or loss and other comprehensive income have been prepared for illustrative purposes only, and because of the nature, may not give a true picture of the actual results of the Group.

3.2 Adjustments in arriving at the pro forma consolidated statements of profit or loss and other comprehensive income are as below:

3.2.1 Pro Forma I

No profit or loss impact to the pro forma consolidated statements of profit or loss and other comprehensive income derived from the Pro Forma adjustment Note 2.1.

3.2.2 Pro Forma II

No profit or loss impact to the pro forma consolidated statements of profit or loss and other comprehensive income derived from the Pro Forma adjustment Note 2.2.

3.2.3 Pro Forma III

Pro Forma III incorporates adjustments primarily relating to professional fees, regulatory fees and printing, advertising and other miscellaneous expenses of RM1.54 million, RM0.12 million and RM0.37 million respectively. Listing Exercise expenses exclude costs attributable to the issuance of new Shares of RM6.00 million that are deducted from share capital as demonstrated in Note 4.3(v).

3.2.4 Pro Forma IV

No profit or loss impact to the pro forma consolidated statements of profit or loss and other comprehensive income derived from the Pro Forma adjustment Note 2.4.

12. FINANCIAL INFORMATION (CONT'D)**3.3 Notes to the pro forma consolidated statements of profit or loss and other comprehensive income for the FPE 2023****(i) Administrative expenses**

The movements in administrative expenses are as follows:

	RM'000	RM'000
Per Audited for the FPE 2023/ Pro Forma I/ Pro Forma II		53,606
Pursuant to Adjustments for Pro Forma III:		
Professional fees	1,543	
Regulatory fees	115	
Printing, advertising and other miscellaneous expenses	371	2,029
Per Pro Forma III/Pro Forma IV		<u>55,635</u>

12. FINANCIAL INFORMATION (CONT'D)**4.0 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022**

The pro forma consolidated statements of financial position as at 31 December 2022 set out below has been prepared for illustration purposes only to show the effects on the audited consolidated statements of financial position as at 31 December 2022 on the assumption that the subsequent event and Listing Scheme as set out in Note 2.0 have been effected on 31 December 2022 and should be read in conjunction with the notes in this section.

	Audited as at 31 December 2022 RM'000	Audited as at 31 December 2022 after subsequent event RM'000	Pro Forma I RM'000	Pro Forma II RM'000	Pro Forma III RM'000	Pro Forma IV RM'000
ASSETS						
Non-Current Assets						
Property, plant and equipment	13,467	13,467	13,467	13,467	13,467	13,467
Right-of-use assets	302	302	302	302	302	302
Intangible assets	2,679	2,679	2,679	2,679	2,679	2,679
Investment property	47,986	47,986	47,986	47,986	47,986	47,986
Inventories - land held for property development	583,977	583,977	583,977	583,977	683,977	683,977
Goodwill	1,214	1,214	1,214	1,214	1,214	1,214
Deferred tax assets	21,404	21,404	21,404	21,404	21,404	21,404
Prepaid expenses	1,941	1,941	1,941	1,941	1,941	1,941
Total Non-Current Assets	672,970	672,970	672,970	672,970	772,970	772,970

12. FINANCIAL INFORMATION (CONT'D)

	Audited as at 31 December 2022 RM'000	Audited as at 31 December 2022 after subsequent event RM'000	Pro Forma I RM'000	Pro Forma II RM'000	Pro Forma III RM'000	Pro Forma IV RM'000
Current Assets						
Inventories - property development costs	115,622	115,622	115,622	115,622	115,622	115,622
Inventories - completed properties	47,973	47,973	47,973	47,973	47,973	47,973
Contract assets	68,631	68,631	68,631	68,631	68,631	68,631
Contract cost assets	6,933	6,933	6,933	6,933	6,933	6,933
Trade receivables	59,931	59,931	59,931	59,931	59,931	59,931
Other receivables, refundable deposits and prepaid expenses	10,511	10,511	10,511	10,511	9,980	9,980
Current tax assets	8,970	8,970	8,970	8,970	8,970	8,970
Cash and bank balances	337,920	338,920	338,920	505,320	377,827	377,827
Total Current Assets	656,491	657,491	657,491	823,891	695,867	695,867
Total Assets	1,329,461	1,330,461	1,330,461	1,496,861	1,468,837	1,468,837
EQUITY AND LIABILITIES						
Capital and Reserves						
Share capital	62,500	62,500	82,500	248,900	242,905	392,905
ICPS	-	-	150,000	150,000	150,000	-
Foreign currency translation reserves	(572)	(572)	(572)	(572)	(572)	(572)
Retained earnings	489,191	489,191	326,952	326,952	324,923	324,923
Equity attributable to the Owners of the Company	551,119	551,119	558,880	725,280	717,256	717,256
Non-controlling interests	4,811	4,811	(2,950)	(2,950)	(2,950)	(2,950)
Total Equity	555,930	555,930	555,930	722,330	714,306	714,306

12. FINANCIAL INFORMATION (CONT'D)

	Audited as at 31 December 2022 RM'000	Audited as at 31 December 2022 after subsequent event RM'000	Pro Forma I RM'000	Pro Forma II RM'000	Pro Forma III RM'000	Pro Forma IV RM'000
Non-Current Liabilities						
Lease liabilities	50	50	50	50	50	50
Bank borrowings	238,842	238,842	238,842	238,842	238,842	238,842
Deferred tax liabilities	811	811	811	811	811	811
Total Non-Current Liabilities	239,703	239,703	239,703	239,703	239,703	239,703
Current Liabilities						
Trade payables	167,305	167,305	167,305	167,305	167,305	167,305
Other payables and accrued expenses	50,616	50,616	50,616	50,616	50,616	50,616
Contract liabilities	11,136	11,136	11,136	11,136	11,136	11,136
Land costs payable	68,258	68,258	68,258	68,258	68,258	68,258
Lease liabilities	241	241	241	241	241	241
Bank borrowings	213,703	214,703	214,703	214,703	194,703	194,703
Tax liabilities	22,569	22,569	22,569	22,569	22,569	22,569
Total Current Liabilities	533,828	534,828	534,828	534,828	514,828	514,828
Total Liabilities	773,531	774,531	774,531	774,531	754,531	754,531
Total Equity and Liabilities	1,329,461	1,330,461	1,330,461	1,496,861	1,468,837	1,468,837

12. FINANCIAL INFORMATION (CONT'D)

	Audited as at 31 December 2022	Audited as at 31 December 2022 after subsequent event	Pro Forma I	Pro Forma II	Pro Forma III	Pro Forma IV
Key Financial Ratios:						
Number of ordinary shares in issue (shares)	62,500,000	62,500,000	792,000,000	1,000,000,000	1,000,000,000	1,187,500,000
NA per share (RM)	8.89	8.89	0.70	0.72	0.71	0.80
Current ratio (times)	1.23	1.23	1.23	1.54	1.35	1.35
Gross gearing ratio (times)	0.81	0.82	0.82	0.63	0.61	0.61
Net gearing ratio (times)	<u>0.21</u>	<u>0.21</u>	<u>0.21</u>	<u>*(0.07)</u>	<u>0.08</u>	<u>0.08</u>

* The negative ratio is a result of cash and bank balances more than total borrowings

12. FINANCIAL INFORMATION (CONT'D)

4.1 Basis of preparation

The pro forma consolidated statements of financial position as at 31 December 2022 have been prepared for illustrative purposes only to show the effects on the audited consolidated statements of financial position of the Group as at 31 December 2022 on the assumption that the subsequent event and Listing Scheme as set out in Note 2.0 have been effected on 31 December 2022, and should be read in conjunction with the Notes in this section.

The audited consolidated statements of financial position of the Group as at 31 December 2022 used in the preparation of the pro forma consolidated statements of financial position were not subject to any qualifications, modifications or disclaimers.

The pro forma consolidated statements of financial position are not necessarily indicative of the future financial position that would have been attained had the subsequent event and Listing Scheme as set out in Note 2.0 actually occurred at the respective dates. The pro forma consolidated statements of financial position have been prepared for illustrative purposes only, and because of the nature, may not give a true picture of the actual position of the Group.

4.2 Adjustments to the pro forma consolidated statements of financial position are as below:

4.2.1 Pro Forma I

Pro Forma I incorporates adjustments relating to Pre-IPO Exercise as set out in Note 2.1.

4.2.2 Pro Forma II

Pro Forma II incorporates adjustments relating to the proceeds from Public Issue as set out in Note 2.2.

4.2.3 Pro Forma III

Pro Forma III incorporates adjustments relating to the utilisations of proceeds from Public Issue as set out in Note 2.2 of which RM35.19 million is retained as cash and bank balances for working capital project for development as set out in Note 2.3.

4.2.4 Pro Forma IV

Pro Forma IV incorporates adjustments relating to conversion of ICPS as set out in Note 2.4.

12. FINANCIAL INFORMATION (CONT'D)**4.3 Notes to the pro forma consolidated statements of financial position as at 31 December 2022****(i) Inventories – land held for property development**

The movements in inventories – land held for property development are as follows:

	RM'000
Per Audited as at 31 December 2022/Pro Forma I/ Pro Forma II	583,977
Pursuant to Adjustment for Pro Forma III Acquisition of land for development	<u>100,000</u>
Per Pro Forma III/ Pro Forma IV	<u><u>683,977</u></u>

(ii) Other receivables, refundable deposits and prepaid expenses

The movements in other receivables, refundable deposits and prepaid expenses are as follows:

	RM'000
Per Audited as at 31 December 2022/Pro Forma I/Pro Forma II	10,511
Pursuant to Adjustment for Pro Forma III Estimated listing expenses	<u>(531)</u>
Per Pro Forma III/Pro Forma IV	<u><u>9,980</u></u>

(iii) Cash and bank balances

The movements in cash and bank balances are as follows:

	RM'000
Per Audited as at 31 December 2022	337,920
Pursuant to Adjustment for subsequent event Proceeds from first tranche of ICP	<u>1,000</u>
Per Audited as at 31 December 2022 after subsequent event/ Pro Forma I	338,920
Pursuant to Adjustment for Pro Forma II Proceeds from Public Issue	<u>166,400</u>
Per Pro Forma II	505,320
Pursuant to Adjustment for Pro Forma III Acquisition of future development land	(100,000)
Repayment of bank borrowings	(20,000)
Estimated listing expenses ⁽¹⁾	<u>(7,493)</u>
Per Pro Forma III/Pro Forma IV	<u><u>377,827</u></u>

⁽¹⁾ Total estimated listing expenses RM11.21 million less listing expenses incurred up to 31 December 2022 amounting to RM3.72 million.

12. FINANCIAL INFORMATION (CONT'D)**(iv) Bank borrowings (current)**

The movements in bank borrowings (current) are as follows:

	RM'000
Per Audited as at 31 December 2022	213,703
Pursuant to Adjustment for subsequent event Proceeds from first tranche of ICP	<u>1,000</u>
Per Audited as at 31 December 2022 after subsequent event/ Pro Forma I/Pro Forma II	214,703
Pursuant to Adjustment for Pro Forma III Repayment of bank borrowings	<u>(20,000)</u>
Per Pro Forma III/Pro Forma IV	<u><u>194,703</u></u>

(v) Share capital

The movements in share capital are as follows:

	RM'000
Per Audited as at 31 December 2022	62,500
Pursuant to Adjustment for Pro Forma I: Acquisition of NTP World Corporation	<u>20,000</u>
Per Pro Forma I	82,500
Pursuant to Adjustment for Pro Forma II: Public Issue	<u>166,400</u>
Per Pro Forma II	248,900
Pursuant to Adjustment for Pro Forma III: Capitalisation of estimated listing expenses	<u>(5,995)</u>
Per Pro Forma III	242,905
Pursuant to Adjustment for Pro Forma IV: Conversion of ICPS	<u>150,000</u>
Per Pro Forma IV	<u><u>392,905</u></u>

12. FINANCIAL INFORMATION (CONT'D)**(vi) ICPS**

The movements in ICPS are as follows:

	RM'000
Per Audited as at 31 December 2022	-
Pursuant to Adjustment for Pro Forma I: Issuance of Bonus Issue of ICPS	150,000
Per Pro Forma I/ Pro Forma II/Pro Forma III	150,000
Pursuant to Adjustment for Pro Forma IV: Conversion of ICPS	(150,000)
Per Pro Forma IV	-

(vii) Retained earnings

The movements in retained earnings are as follows:

	RM'000
Per Audited as at 31 December 2022	489,191
Pursuant to Adjustment for Pro Forma I: Acquisition of NTP World Corporation ⁽²⁾ Adjustment for Bonus Issue of ICPS	(12,239) (150,000)
Per Pro Forma I/Pro Forma II	326,952
Pursuant to Adjustment for Pro Forma III: Estimated listing expenses	(2,029)
Per Pro Forma III/Pro Forma IV	324,923

⁽²⁾ The reduction to retained earnings is a result of the net impact of (i) RM7.76 million representing the 40% non-controlling interests of NTP World Corporation (as at 31 December 2022, the total equity of NTP World Corporation is RM19.40 million) as held by the Company post-Acquisition; and (ii) transfer of RM20,000,000 to the share capital of the Company arising from the issuance and allotment of 25,000,000 ordinary shares of the Company to Zafidi Bin Mohamad.

(viii) Non-controlling interests

The movements in non-controlling interests are as follows:

	RM'000
Per Audited as at 31 December 2022	4,811
Pursuant to Adjustment for Pro Forma I: Acquisition of NTP World Corporation ⁽³⁾	(7,761)
Per Pro Forma I/Pro Forma II/Pro Forma III/Pro Forma IV	(2,950)

⁽³⁾ The decrease to non-controlling interest is a result of excluding the RM7.76 million representing the 40% non-controlling interests of NTP World Corporation (as at 31 December 2022, the total equity of NTP World Corporation is RM19.40 million) held by Zafidi Bin Mohamad pre-Acquisition.

12. FINANCIAL INFORMATION (CONT'D)**5.0 PRO FORMA CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE FPE 2023**

The pro forma consolidated statements of cash flows set out below has been compiled solely for illustration purposes to show the effects on the Group on the assumption that the subsequent event and Listing Scheme as set out in Note 2.0 have been effected on 31 December 2022 and should be read in conjunction with the notes in this section.

	Audited for FPE 2023 RM'000	Audited for FPE 2023 after subsequent event RM'000	Pro Forma I RM'000	Pro Forma II RM'000	Pro Forma III RM'000	Pro Forma IV RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES						
Profit before tax	132,156	132,156	132,156	132,156	130,127	130,127
Adjustments for:						
Depreciation of:						
Property, plant and equipment	902	902	902	902	902	902
Right-of-use assets	411	411	411	411	411	411
Amortisation of intangible assets	132	132	132	132	132	132
Interest expenses	11,466	11,466	11,466	11,466	11,466	11,466
Interest income	(2,403)	(2,403)	(2,403)	(2,403)	(2,403)	(2,403)
Provision for Bumiputera quota penalties	759	759	759	759	759	759
Allowance for doubtful debts:						
Trade receivable	9	9	9	9	9	9
Reversal of allowance for doubtful debts of trade receivables	(59)	(59)	(59)	(59)	(59)	(59)
Impairment losses on intangible assets	693	693	693	693	693	693
Unrealised loss on foreign exchange	246	246	246	246	246	246
Operating Profit Before Working Capital Changes	144,312	144,312	144,312	144,312	142,283	142,283

12. FINANCIAL INFORMATION (CONT'D)

	Audited for FPE 2023 RM'000	Audited for FPE 2023 after subsequent event RM'000	Pro Forma I RM'000	Pro Forma II RM'000	Pro Forma III RM'000	Pro Forma IV RM'000
Movement in working capital:						
(Increase)/Decrease in:						
Inventories - land held for property development	(94,543)	(94,543)	(94,543)	(94,543)	(194,543)	(194,543)
Inventories - property development costs	83,488	83,488	83,488	83,488	83,488	83,488
Inventories - completed properties	32,233	32,233	32,233	32,233	32,233	32,233
Contract assets	48,801	48,801	48,801	48,801	48,801	48,801
Contract cost assets	1,493	1,493	1,493	1,493	1,493	1,493
Trade receivables	14,329	14,329	14,329	14,329	14,329	14,329
Other receivables, refundable deposits and prepaid expenses	(1,178)	(1,178)	(1,178)	(1,178)	(647)	(647)
(Decrease)/Increase in:						
Trade payables	(23,172)	(23,172)	(23,172)	(23,172)	(23,172)	(23,172)
Other payables and accrued expenses	(10,458)	(10,458)	(10,458)	(10,458)	(10,458)	(10,458)
Contract liabilities	(98,280)	(98,280)	(98,280)	(98,280)	(98,280)	(98,280)
Land costs payable	(8,763)	(8,763)	(8,763)	(8,763)	(8,763)	(8,763)
Cash Generated From/ (Used In) Operations	88,262	88,262	88,262	88,262	(13,236)	(13,236)
Interest paid	(14,113)	(14,113)	(14,113)	(14,113)	(14,113)	(14,113)
Income tax paid	(44,430)	(44,430)	(44,430)	(44,430)	(44,430)	(44,430)
Net Cash From/(Used In) Operating Activities	29,719	29,719	29,719	29,719	(71,779)	(71,779)

12. FINANCIAL INFORMATION (CONT'D)

	Audited for FPE 2023 RM'000	Audited for FPE 2023 after subsequent event RM'000	Pro Forma I RM'000	Pro Forma II RM'000	Pro Forma III RM'000	Pro Forma IV RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES						
Interest received	2,403	2,403	2,403	2,403	2,403	2,403
Acquisition of property, plant and equipment	(6,137)	(6,137)	(6,137)	(6,137)	(6,137)	(6,137)
Additions to intangible assets	(693)	(693)	(693)	(693)	(693)	(693)
Additions to investment property	(3,376)	(3,376)	(3,376)	(3,376)	(3,376)	(3,376)
Withdrawal of fixed deposits pledged	2,643	2,643	2,643	2,643	2,643	2,643
Net cash outflow on acquisition of new subsidiaries	(2)	(2)	(2)	(2)	(2)	(2)
Proceeds from disposal of subsidiaries	#	#	#	#	#	#
Net Cash Used In Investing Activities	<u>(5,162)</u>	<u>(5,162)</u>	<u>(5,162)</u>	<u>(5,162)</u>	<u>(5,162)</u>	<u>(5,162)</u>
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES						
Issuance of ordinary shares	-	-	-	166,400	160,405	160,405
Repayments of bank borrowings	(96,773)	(96,773)	(96,773)	(96,773)	(116,773)	(116,773)
Proceeds from bank borrowings	200,192	200,192	200,192	200,192	200,192	200,192
Proceeds from first tranche of ICP	-	1,000	1,000	1,000	1,000	1,000
Payment of lease liabilities	(426)	(426)	(426)	(426)	(426)	(426)
Interest paid	(22)	(22)	(22)	(22)	(22)	(22)
Net Cash From Financing Activities	<u>102,971</u>	<u>103,971</u>	<u>103,971</u>	<u>270,371</u>	<u>244,376</u>	<u>244,376</u>

12. FINANCIAL INFORMATION (CONT'D)

	Audited for FPE 2023 RM'000	Audited for FPE 2023 after subsequent event RM'000	Pro Forma I RM'000	Pro Forma II RM'000	Pro Forma III RM'000	Pro Forma IV RM'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	127,528	128,528	128,528	294,928	167,435	167,435
EFFECT OF EXCHANGE RATE FLUCTUATIONS	(820)	(820)	(820)	(820)	(820)	(820)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>189,399</u>	<u>189,399</u>	<u>189,399</u>	<u>189,399</u>	<u>189,399</u>	<u>189,399</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>316,107</u>	<u>317,107</u>	<u>317,107</u>	<u>483,507</u>	<u>356,014</u>	<u>356,014</u>
Cash and bank balances	337,920	338,920	338,920	505,320	377,827	377,827
Less: Cash and bank balances restricted in usage	(12,013)	(12,013)	(12,013)	(12,013)	(12,013)	(12,013)
Bank overdrafts	<u>(9,800)</u>	<u>(9,800)</u>	<u>(9,800)</u>	<u>(9,800)</u>	<u>(9,800)</u>	<u>(9,800)</u>
	<u>316,107</u>	<u>317,107</u>	<u>317,107</u>	<u>483,507</u>	<u>356,014</u>	<u>356,014</u>

Less than RM1,000

12. FINANCIAL INFORMATION (CONT'D)**5.1 Basis of preparation**

The pro forma consolidated statements of cash flows for the FPE 2023 have been prepared for illustrative purposes only to show the effects on the audited consolidated statements of cash flows of the Group for the FPE 2023 on the assumption that the subsequent event and Listing Scheme as set out in Note 2.0 have been effected on 31 December 2022 and should be read in conjunction with the Notes in this section.

The audited consolidated statements of cash flows for the FPE 2023 used in the preparation of the pro forma consolidated statements of cash flows were not subject to any qualifications, modifications or disclaimers.

The pro forma consolidated statements of cash flows are not necessarily indicative of the future cash flow movements that would have been attained had the subsequent event and Listing Scheme as set out in Note 2.0 actually occurred at the respective dates. The pro forma consolidated statements of cash flows have been prepared for illustrative purposes only, and because of the nature may not give a true picture of the actual cash flow movements of the Group.

5.2 Adjustments in arriving at the pro forma consolidated statements of cash flows are as below:

5.2.1 Pro Forma I

No cash flow impact to the consolidated statements of cash flows derived from the Pro Forma adjustment Note 2.1.

5.2.2 Pro Forma II

Pro Forma II incorporates adjustments relating to the proceeds from Public Issue as set out in Note 2.2.

5.2.3 Pro Forma III

Pro Forma III incorporates adjustments relating to the utilisations of proceeds from Public Issue as set out in Note 2.2 of which RM35.19 million is retained as cash and bank balances for project development working capital use as set out in Note 2.3.

5.2.4 Pro Forma IV

No cash flow impact to the consolidated statements of cash flows derived from the Pro Forma adjustment Note 2.4.

12. FINANCIAL INFORMATION (CONT'D)**5.3 Notes to the pro forma consolidated statements of cash flows for the FPE 2023****(i) Profit before tax**

The changes in profit before tax are attributed to the following:

	RM'000
Per Audited for the FPE 2023/Pro Forma I/Pro Forma II	132,156
Pursuant to Adjustment for Pro Forma III Estimated listing expenses	<u>(2,029)</u>
Per Pro Forma III/ Pro Forma IV	<u>130,127</u>

(ii) Other receivables, refundable deposits and prepaid expenses

The changes in other receivables, refundable deposits and prepaid expenses are attributed to the following:

	RM'000
Per Audited for the FPE 2023/Pro Forma I/Pro Forma II	(1,178)
Pursuant to Adjustment for Pro Forma III Estimated listing expenses	<u>531</u>
Per Pro Forma III/Pro Forma IV	<u>(647)</u>

(iii) Inventories – land held for property development

The changes in inventories – land held for property development are attributed to the following:

	RM'000
Per Audited for the FPE 2023/Pro Forma I/Pro Forma II	(94,543)
Pursuant to Adjustment for Pro Forma III Acquisition of land for development	<u>(100,000)</u>
Per Pro Forma III/Pro Forma IV	<u>(194,543)</u>

12. FINANCIAL INFORMATION (CONT'D)**(iv) Issuance of ordinary shares**

The changes in issuance of ordinary shares are attributed to the following:

	RM'000
Per Audited for the FPE 2023/Pro Forma I	-
Pursuant to Adjustment for Pro Forma II Public Issue of new ordinary shares	166,400
Per Pro Forma II	166,400
Pursuant to Adjustment for Pro Forma III Estimated direct cost of new ordinary shares	(5,995)
Per Pro Forma III/Pro Forma IV	<u>160,405</u>

(v) Repayments of bank borrowings

The changes in repayments of bank borrowings are attributed to the following:

	RM'000
Per Audited for the FPE 2023/Pro Forma I/Pro Forma II	(96,773)
Pursuant to Adjustment for Pro Forma III Repayment of borrowings	(20,000)
Per Pro Forma III/Pro Forma IV	<u>(116,773)</u>

(vi) Proceeds from first tranche of ICP

The changes in proceeds from first tranche of ICP are attributed to the following:

	RM'000
Per Audited for the FPE 2023	-
Pursuant to Adjustment for subsequent event Proceeds from first tranche of ICP	1,000
Per Audited for the FPE 2023 after subsequent event/ Pro Forma I/Pro Forma II/Pro Forma III/Pro Forma IV	<u>1,000</u>

12. FINANCIAL INFORMATION (CONT'D)

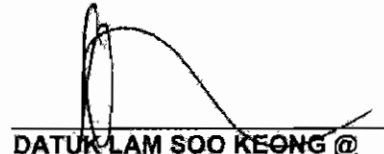
6.0 APPROVAL

The above pro forma financial information is approved and adopted by the Board of Directors of the Group in accordance with a resolution dated **24 MAY 2023**

Signed on behalf of the Board of Directors:



DATUK SERI NG THIEN PHING
DIRECTOR
SKYWORLD DEVELOPMENT BERHAD



DATUK LAM SOO KEONG @
LOW SOO KEONG
DIRECTOR
SKYWORLD DEVELOPMENT BERHAD

13. ACCOUNTANTS' REPORT

Deloitte.

ACCOUNTANTS' REPORT

(Prepared for inclusion in the Prospectus of
SkyWorld Development Berhad)

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24 May 2023

The Board of Directors
SkyWorld Development Berhad
Level 8, Block B
Wisma NTP World
Excella Business Park, Jalan Ampang Putra
Ampang 55100 Kuala Lumpur

Dear Sirs,

**Reporting Accountants' opinion on the Consolidated Financial Statements Contained in the
Accountants' Report of SkyWorld Development Berhad**

Opinion

We have audited the Consolidated Financial Statements of SkyWorld Development Berhad (the "Company") and its subsidiaries (collectively known as the "Group"), which comprise the consolidated statements of financial position as at 31 March 2020, 31 March 2021, 31 March 2022 and 31 December 2022 of the Group, consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the financial years ended 31 March 2020, 31 March 2021, 31 March 2022 and for the nine-months financial period ended 31 December 2022, and a summary of significant accounting policies and other explanatory notes ("FYE 2020", "FYE 2021", "FYE 2022" and "FPE 2023" or collectively, the "Consolidated Financial Statements") as set out in this report. The historical Consolidated Financial Statements have been prepared for inclusion in the prospectus of the Company (the "Prospectus") in the connection with the proposed listing of and quotation for its entire enlarged issued paid-up share capital on the Main Market of Bursa Malaysia Securities Berhad (the "Listing"). This report is given for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the accompanying Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 31 March 2020, 31 March 2021, 31 March 2022 and 31 December 2022 and of its consolidated financial performance and its consolidated cash flows for each of the financial years ended 31 March 2020, 31 March 2021 and 31 March 2022 and for the nine-months financial period ended 31 December 2022 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

13. ACCOUNTANTS' REPORT (CONT'D)

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 *Reporting Accountants' Responsibilities for the Audit of the Consolidated Financial Statements* section of our reporting accountant's 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 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 the IESBA Code.

Responsibilities of the Directors for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the Consolidated Financial Statements of the Group that give a true and fair view in accordance with the 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 Consolidated Financial Statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated 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 Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountants' report that includes our opinion. Reasonable assurance is a high level of assurance, but 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 Consolidated Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)

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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 reporting accountants' report to the related disclosures in the Consolidated Financial Statements of the Group 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 reporting accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements of the Group, including the disclosures, and whether the Consolidated Financial Statements of the Group represent the underlying transactions and events in a manner that achieve fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Consolidated 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.

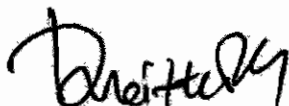
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

13. ACCOUNTANTS' REPORT (CONT'D)

Restriction on Distribution and Use

For the comparative financial information of the Group which comprises the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine-months financial period ended 31 December 2021 and other explanatory information (the "Comparative Financial Information" or "FPE 2022"), we are not required to perform an audit and our above opinion does not cover the aforementioned Comparative Financial Information.

This report is made solely to the Company to comply with Chapter 10.02, Part II Division 1: Equity of the Prospectus Guidelines issued by Securities Commission of Malaysia and for inclusion in the prospectus to be issued in relation to the proposed offering of the Listing of the Company on the Main Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report.



DELOITTE PLT (LLP0010145-LCA)
Chartered Accountants (AF 0080)



WONG YEW CHOONG
Partner - 03159/06/2023 J
Chartered Accountant

Kuala Lumpur
24 May 2023

13. ACCOUNTANTS' REPORT (CONT'D)**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FPE 2022 RM (Unaudited)	FPE 2023 RM
Revenue	5	523,859,538	488,796,559	790,436,718	548,975,479	615,460,853
Cost of sales	6	<u>(345,138,425)</u>	<u>(337,132,469)</u>	<u>(540,829,697)</u>	<u>(382,021,858)</u>	<u>(414,790,228)</u>
Gross profit		178,721,113	151,664,090	249,607,021	166,953,621	200,670,625
Other operating income	7	5,206,000	3,208,780	3,141,374	1,679,668	4,071,900
Selling and marketing expenses		(9,756,121)	(13,062,717)	(10,751,120)	(6,355,241)	(7,514,260)
Administrative expenses		(56,751,788)	(48,949,684)	(74,236,587)	(37,865,616)	(53,606,206)
Finance costs	8	(15,652,343)	(18,511,471)	(17,742,554)	(12,737,140)	(11,465,582)
Share of results of associated companies		<u>(7,348)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Profit before tax	9	101,759,513	74,348,998	150,018,134	111,675,292	132,156,477
Income tax expense	11	<u>(36,512,133)</u>	<u>(11,038,399)</u>	<u>(45,732,592)</u>	<u>(31,813,217)</u>	<u>(40,708,068)</u>
Profit for the year/period		<u>65,247,380</u>	<u>63,310,599</u>	<u>104,285,542</u>	<u>79,862,075</u>	<u>91,448,409</u>
Other comprehensive income/(loss)						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operation		7,660	(5,800)	439	(1,362)	(574,266)

13. ACCOUNTANTS' REPORT (CONT'D)**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)**

	Note	FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FPE 2022 RM (Unaudited)	FPE 2023 RM
Other comprehensive income/(loss) for the year/period, net of tax		7,660	(5,800)	439	(1,362)	(574,266)
Total comprehensive income for the year/period		65,255,040	63,304,799	104,285,981	79,860,713	90,874,143
Profit attributable to:						
Owners of the Company		67,598,110	59,541,427	106,034,882	80,353,149	85,790,516
Non-controlling interests	37	(2,350,730)	3,769,172	(1,749,340)	(491,074)	5,657,893
		65,247,380	63,310,599	104,285,542	79,862,075	91,448,409
Total comprehensive income attributable to:						
Owners of the Company		67,605,770	59,535,627	106,035,321	80,351,787	85,216,250
Non-controlling interests	37	(2,350,730)	3,769,172	(1,749,340)	(491,074)	5,657,893
		65,255,040	63,304,799	104,285,981	79,860,713	90,874,143
Basic and diluted earnings per share	39	1.08	0.95	1.70	1.29	1.37

The accompanying Notes form an integral part of the financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

		FYE	FYE	FYE	FPE
		2020	2021	2022	2023
	Note	RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	12	2,833,032	2,094,096	8,232,653	13,467,452
Right-of-use assets	13	338,897	1,223,116	685,675	302,024
Intangible assets	14	84,800	-	2,810,232	2,678,502
Investment property	15	-	-	-	47,986,075
Inventories - land held for property development	16	485,168,722	538,798,910	528,763,902	583,976,625
Goodwill	17	1,149,238	1,149,238	1,149,238	1,213,898
Deferred tax assets	18	5,297,326	13,793,744	12,815,253	21,403,624
Prepaid expenses	24	-	994,207	1,788,623	1,941,341
Total Non-Current Assets		494,872,015	558,053,311	556,245,576	672,969,541
Current Assets					
Inventories - property development costs	19	216,661,190	270,155,803	196,428,318	115,622,129
Inventories - completed properties	20	55,389,810	40,424,176	80,205,228	47,972,557
Contract assets	21	27,195,804	33,901,881	117,432,233	68,631,172
Contract cost assets	22	4,311,028	8,169,149	8,426,531	6,933,369
Trade receivables	23	61,554,520	78,719,877	74,208,736	59,930,673
Other receivables, refundable deposits and prepaid expenses	24	11,019,135	39,211,236	47,055,310	10,510,517
Current tax assets		1,462,818	2,381,627	4,124,566	8,970,864
Cash and bank balances	25	154,751,381	161,621,647	280,472,058	337,919,683
Total Current Assets		532,345,686	634,585,396	808,352,980	656,490,964
TOTAL ASSETS		1,027,217,701	1,192,638,707	1,364,598,556	1,329,460,505

13. ACCOUNTANTS' REPORT (CONT'D)**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)**

	Note	FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FPE 2023 RM
EQUITY AND LIABILITIES					
Capital and Reserves					
Share capital	26	62,500,000	62,500,000	62,500,000	62,500,000
Foreign currency translation reserves		7,660	1,860	2,299	(571,967)
Retained earnings	27	237,964,597	297,506,024	403,379,873	489,190,833
Equity Attributable to Owners of the Company		300,472,257	360,007,884	465,882,172	551,118,866
Non-controlling interests	37	(3,007,137)	762,035	(826,272)	4,811,222
Total Equity		297,465,120	360,769,919	465,055,900	555,930,088
Non-current Liabilities					
Land costs payable	28	75,350,453	504,078	-	-
Lease liabilities	29	127,725	636,822	124,187	49,747
Bank borrowings	30	230,204,961	201,965,068	289,796,081	238,842,228
Deferred tax liabilities	18	289,676	289,676	789,498	810,935
Total Non-Current Liabilities		305,972,815	203,395,644	290,709,766	239,702,910
Current Liabilities					
Trade payables	31	148,529,593	241,856,356	190,476,980	167,304,959
Other payables and accrued expenses	32	38,415,887	46,946,585	60,251,547	50,615,408
Contract liabilities	21	10,092,301	56,342,301	109,416,070	11,135,904
Land costs payable	28	18,982,388	77,476,704	77,020,778	68,258,057
Lease liabilities	29	187,958	583,510	564,542	240,839
Bank borrowings	30	181,803,347	190,537,266	158,224,826	213,703,200
Tax liabilities		25,768,292	14,730,422	12,878,147	22,569,140
Total Current Liabilities		423,779,766	628,473,144	608,832,890	533,827,507
Total Liabilities		729,752,581	831,868,788	899,542,656	773,530,417
TOTAL EQUITY AND LIABILITIES		1,027,217,701	1,192,638,707	1,364,598,556	1,329,460,505

The accompanying Notes form an integral part of the financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Issued capital RM	Distributable reserve - Retained earnings RM	Non-distributable reserve - Translation reserves RM	Attributable to owners of the Company RM	Non- controlling interests RM	Total equity RM
As at 1 April 2019	62,500,000	170,421,669	-	232,921,669	(443,553)	232,478,116
Total comprehensive income for the year	-	67,598,110	7,660	67,605,770	(2,350,730)	65,255,040
Acquisition of additional equity interest in a subsidiary	-	(55,182)	-	(55,182)	(344,818)	(400,000)
Non-controlling interest arising from the acquisition of a new subsidiary	-	-	-	-	131,964	131,964
As at 31 March 2020/1 April 2020	62,500,000	237,964,597	7,660	300,472,257	(3,007,137)	297,465,120
Total comprehensive income for the year	-	59,541,427	(5,800)	59,535,627	3,769,172	63,304,799
As at 31 March 2021/1 April 2021	62,500,000	297,506,024	1,860	360,007,884	762,035	360,769,919
Total comprehensive income for the year	-	106,034,882	439	106,035,321	(1,749,340)	104,285,981
Acquisition of additional equity interest in a subsidiary	-	(178,018)	-	(178,018)	178,018	-
Disposal of a subsidiary	-	16,985	-	16,985	(16,985)	-
As at 31 March 2022	62,500,000	403,379,873	2,299	465,882,172	(826,272)	465,055,900

13. ACCOUNTANTS' REPORT (CONT'D)**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)**

	Issued capital RM	Distributable reserve - Retained earnings RM	Non-distributable reserve - Translation reserves RM	Attributable to owners of the Company RM	Non- controlling interests RM	Total equity RM
As at 31 March 2022/1 April 2022	62,500,000	403,379,873	2,299	465,882,172	(826,272)	465,055,900
Total comprehensive income for the period	-	85,790,516	(574,266)	85,216,250	5,657,893	90,874,143
Dilution of equity interests in subsidiaries (Note 37)	-	20,444	-	20,444	(20,399)	45
As at 31 December 2022	62,500,000	489,190,833	(571,967)	551,118,866	4,811,222	555,930,088
Unaudited						
As at 31 March 2021/1 April 2021	62,500,000	297,506,024	1,860	360,007,884	762,035	360,769,919
Total comprehensive income for the period	-	80,353,149	(1,362)	80,351,787	(491,074)	79,860,713
As at 31 December 2021	62,500,000	377,859,173	498	440,359,671	270,961	440,630,632

The accompanying Notes form an integral part of the financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)**CONSOLIDATED STATEMENT OF CASH FLOWS**

	FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FPE 2022 RM (Unaudited)	FPE 2023 RM
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES					
Profit before tax	101,759,513	74,348,998	150,018,134	111,675,292	132,156,477
Adjustments for:					
Depreciation of:					
Property, plant and equipment	1,522,169	1,366,840	897,652	699,256	902,432
Right-of-use assets	513,296	555,881	596,211	457,617	411,425
Amortisation of intangible assets	-	-	-	-	131,730
Interest expenses	15,652,343	18,511,471	17,742,554	12,737,140	11,465,582
Share of results of associated companies	7,348	-	-	-	-
Interest income	(2,150,915)	(1,370,333)	(1,580,163)	(727,206)	(2,403,121)
Loss on derecognition of right-of-use assets	-	-	23,918	-	-
Property, plant and equipment written off	262	1	4,426	-	-
Provision for Bumiputera quota penalties	-	-	3,433,899	-	758,803
Gain on remeasuring to fair value of the existing interest in the former associated companies on acquisition of control	(45,525)	-	-	-	-
Inventories written down	1,416,374	-	-	-	-
Allowance for doubtful debts:					
Trade receivables	-	-	137,591	-	8,649
Other receivables	-	100,000	1,692,593	-	-
Refundable deposits	5,966,406	-	-	-	-
Reversal of allowance for doubtful debts of trade receivables	-	-	-	-	(59,232)
Impairment losses on intangible assets	-	254,400	2,807,155	-	693,248

13. ACCOUNTANTS' REPORT (CONT'D)**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

	FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FPE 2022 RM (Unaudited)	FPE 2023 RM
Unrealised loss on foreign exchange	-	-	-	-	246,053
Operating Profit Before Working Capital Changes	124,641,271	93,767,258	175,773,970	124,842,099	144,312,046
Movement in working capital:					
(Increase)/Decrease in:					
Inventories - land held for property development	(150,613,755)	(95,787,468)	(45,264,469)	26,874,560	(94,543,497)
Inventories - property development costs	8,895,957	(12,457,643)	82,735,200	19,907,927	83,488,741
Inventories - completed properties	(45,708,857)	14,965,634	13,167,341	8,680,111	32,232,671
Contract assets	36,429,587	(6,706,077)	(83,530,352)	(125,417,249)	48,801,061
Contract cost assets	(4,311,028)	(3,858,121)	(257,382)	(480,054)	1,493,162
Trade receivables	(12,019,551)	(17,165,357)	4,373,550	(122,035)	14,328,646
Other receivables, refundable deposits and prepaid expenses	31,049,161	(789,482)	(957,100)	(9,165,211)	(1,178,352)
(Decrease)/Increase in:					
Trade payables	(1,429,230)	93,326,763	(51,379,376)	(37,062,416)	(23,172,021)
Other payables and accrued expenses	(26,048,785)	8,188,921	9,871,063	(7,624,039)	(10,458,036)
Contract liabilities	(31,391,832)	46,250,000	53,073,769	7,189,631	(98,280,166)
Land costs payable	61,981,072	(16,352,059)	(960,004)	(429,031)	(8,762,721)
Cash (Used In)/Generated From					
Operations	(8,525,990)	103,382,369	156,646,210	7,194,293	88,261,534
Interest paid	(26,048,882)	(26,118,063)	(24,644,379)	(17,264,325)	(14,112,126)
Income tax refunded	1,305,593	-	-	-	-
Income tax paid	(36,557,314)	(31,149,719)	(47,849,493)	(20,785,056)	(44,430,307)
Net Cash (Used In)/From Operating Activities	(69,826,593)	46,114,587	84,152,338	(30,855,088)	29,719,101

13. ACCOUNTANTS' REPORT (CONT'D)**CONSOLIDATED STATEMENT OF CASH FLOWS (continued)**

	FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FPE 2022 RM (Unaudited)	FPE 2023 RM
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES					
Interest received	2,150,915	1,370,333	1,580,163	727,206	2,403,121
Acquisition of property, plant and equipment	(540,594)	(627,905)	(7,040,635)	(6,822,234)	(6,137,231)
Additions to intangible assets	(84,800)	(169,600)	(5,524,420)	-	(693,248)
Additions to investment property	-	-	-	-	(3,375,575)
(Placement)/Withdrawal of fixed deposits pledged	(3,997,210)	8,714,362	(8,949,607)	(5,764,093)	2,642,688
Acquisition of additional equity interest in a subsidiary	(400,000)	-	-	-	-
Net cash outflow on acquisition of new subsidiaries	(725,405)	-	-	-	(1,567)
Proceed from partial disposal of subsidiaries	-	-	-	-	45
Net Cash (Used In)/From Investing Activities	(3,597,094)	9,287,190	(19,934,499)	(11,859,121)	(5,161,767)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES					
Repayments of bank borrowings	(77,467,877)	(255,256,372)	(260,336,062)	(100,315,177)	(96,773,310)
Proceeds from bank borrowings	158,852,458	196,750,594	334,570,330	181,934,911	200,191,884
Repayments to associated companies	(103,020)	-	-	-	-
Payment of lease liabilities	(536,510)	(535,451)	(614,291)	(451,325)	(425,917)
Interest paid	(34,366)	(70,120)	(54,994)	(45,207)	(21,816)
Net Cash From/(Used In) Financing Activities	80,710,685	(59,111,349)	73,564,983	81,123,202	102,970,841

13. ACCOUNTANTS' REPORT (CONT'D)

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

	FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FPE 2022 RM (Unaudited)	FPE 2023 RM
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	7,286,998	(3,709,572)	137,782,822	38,408,993	127,528,175
EFFECT OF EXCHANGE RATE FLUCTUATIONS	7,660	(5,800)	439	(1,362)	(820,319)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR/PERIOD	<u>48,036,797</u>	<u>55,331,455</u>	<u>51,616,083</u>	<u>51,616,083</u>	<u>189,399,344</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD (NOTE 33)	<u>55,331,455</u>	<u>51,616,083</u>	<u>189,399,344</u>	<u>90,023,714</u>	<u>316,107,200</u>

The accompanying Notes form an integral part of the financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

(a) Corporate Information

The Company was a private limited liability company, incorporated and domiciled in Malaysia. On 20 September 2022, the Company was converted to a public limited liability company.

The Company is principally engaged in the provision of management services to its subsidiaries and business of property development. On 30 May 2022, the Company expanded its principal activities to include investment holding.

The registered office of the Company is located at Unit 30-01, Level 30, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

The principal place of business of the Company is located at G Floor, Block B, Wisma NTP World, Excella Business Park, Jalan Ampang Putra, Ampang, 55100 Kuala Lumpur.

(b) Listing Scheme

The Company is undertaking the proposed listing of and quotation for its entire enlarged issued and paid-up share capital on the Main Market of Bursa Malaysia Securities Berhad. The listing scheme is as disclosed in the Prospectus.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

Adoption of Amendments to Malaysian Financial Reporting Standards and change in accounting policy

(a) Adoption of Amendments to Malaysian Financial Reporting Standards

In the current period, the Group has adopted all the Amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are relevant and effective for annual periods beginning on or after 1 April 2022 as follows:

13. ACCOUNTANTS' REPORT (CONT'D)

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 Contract
Annual Improvements to MFRS 2018 - 2020 Cycle	

The adoption of these Amendments to MFRSs did not result in significant changes in the accounting policies of the Group and have no significant effect on the financial performance or position of the Group.

(b) Change in accounting policy**Adoption of IFRS Interpretations Committee ("IFRIC") Agenda Decision on IAS 23 (MFRS 123) Borrowing Costs relating to over time transfer of constructed good ("Agenda Decision")**

In March 2019, IFRIC published an agenda decision on borrowings costs confirming, receivables, contracts assets and inventories for which revenue is recognised over time are non-qualification assets. On 20 March 2019, MASB decided an entity shall apply the change in accounting policy as a result of the IFRIC Agenda Decision to financial statements for annual periods beginning on or after 1 July 2020.

In FYE 2022, the Group has changed its accounting policy with retrospective effect as a consequence of the adoption of Agenda Decision and accordingly, reflected in the consolidated financial statements.

Amendments to MFRSs in issue but not yet effective

At the date of authorisation for issue of these consolidated financial statements, the Amendments to MFRSs relevant to the Group which were in issue but not yet effective and not early adopted by the Group are as listed below:

Amendments to MFRS 4	Extension of the Temporary Exemption from Applying MFRS 9 ¹
Amendments to MFRS 101	Classification of Liabilities as Current or Non-Current ¹
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to MFRS 108	Definition of Accounting Estimates ¹
Amendments to MFRS 101	Disclosure of Accounting Policies ¹
Amendments to MFRS 10 and MFRS 128	Sale of Contribution of Assets between on Investor and Its Associate or Joint Venture ²
Amendments to MFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to MFRS 101	Non-current Liabilities with Covenants ³

13. ACCOUNTANTS' REPORT (CONT'D)

- ¹ Effective for annual periods beginning on or after 1 January 2023 with earlier application permitted.
- ² Effective date deferred to a date to be determined and announced by MASB.
- ³ Effective for annual periods beginning on or after 1 January 2024, with earlier application permitted.

The directors anticipate that the above-mentioned Amendments to MFRSs will be adopted in the consolidated financial statements of the Group when they become effective and that the adoption of these Amendments to MFRSs will have no material impact on the consolidated financial statements of the Group in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES**Basis of Accounting**

The consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is 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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of MFRS 2 *Share-based Payment*, leasing transactions that are within the scope of MFRS 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in MFRS 102 *Inventories* or value in use in MFRS 136 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

13. ACCOUNTANTS' REPORT (CONT'D)

The principal accounting policies adopted are set out below.

Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company:

- has the power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

13. ACCOUNTANTS' REPORT (CONT'D)

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable MFRS Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* when applicable, or the cost on initial recognition of an investment in an associate or a joint venture.

Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

13. ACCOUNTANTS' REPORT (CONT'D)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

13. ACCOUNTANTS' REPORT (CONT'D)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

Goodwill

Goodwill is initially recognised and measured as set out above.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Earnings per Share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares.

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Revenue and Other Income

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 and purchaser.

A performance obligation is a promise to transfer a distinct goods or service (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 practice.

13. ACCOUNTANTS' REPORT (CONT'D)

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 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.

The 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; or
- 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.

13. ACCOUNTANTS' REPORT (CONT'D)

Nature of goods and services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Property development	<p>Revenue from property development is recognised 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.</p> <p>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 (e.g. by reference to the property development costs incurred to date as a percentage of the estimated total costs of development of the contract).</p>	<p>The credit terms offered by the Group to customers varies according to their respective sale and purchase agreements.</p>	<p>Discounts are given to customers from the issuance of progress billings.</p>	<p>Not applicable.</p>	<p>Defect liability period of up to 2 years is given to customers.</p>

13. ACCOUNTANTS' REPORT (CONT'D)

Nature of goods and services	Timing of recognition or method used to recognise revenue	Significant payment terms	Variable element in consideration	Obligation for returns or refunds	Warranty
Sale of completed units	Revenue from sale of completed units is recognised at a point in time upon delivery of properties where the control of the properties has been passed to the buyers.	The credit terms offered by the Group to customers varies according to their respective sale and purchase agreements.	Discounts are given to customers from the issuance of progress billings.	Not applicable.	Defect liability period of up to a year is given to customers.
Property management and management services	Management fees is recognised over time when the service is rendered in accordance to contract term.	The credit terms offered by the Group to customers is 30 days from invoice date.	Not applicable.	Not applicable.	Not applicable.
Construction contracts	Revenue from construction contracts is recognised over time using the input method, which is based on the level the proportion that the construction costs incurred to date bear to the estimated total costs for the construction contract.	The credit terms offered by the Group to customers varies according to their respective sale and purchase agreements.	Not applicable.	Not applicable.	Defect liability period in accordance to the agreement.
Commission from e-commerce platform	Commission from e-commerce platform is recognised at a point in time upon receipt of confirmation from the buyers on products or services rendered by the providers.	The collection is due upon confirmation of products or services on the platform.	Not applicable	Not applicable.	Not applicable.

13. ACCOUNTANTS' REPORT (CONT'D)

Interest income

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

Arrangement in provision of services

Revenue from the arrangement services is recognised when the services are performed.

Rental income

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

Leases

The Group as a lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as tablets and personal computers, small items of office furniture and telephones). For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in-substance fixed payments), less any lease incentives receivable;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the consolidated statement of financial position.

13. ACCOUNTANTS' REPORT (CONT'D)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which case the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group did not make any such adjustments during the periods presented.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-to-use assets are presented as a separate line in the consolidated statement of financial position.

13. ACCOUNTANTS' REPORT (CONT'D)

The Group applies MFRS 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Property, Plant and Equipment' policy.

Variable rents that do not depend on an index or rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "Administrative expenses" in profit or loss.

The Group as lessor

The Group enters into lease agreements as a lessor with respect to some of its commercial properties.

Leases for which the Group is lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Foreign Currencies**Functional and presentation currency**

The financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional and presentation currency.

Foreign currency transactions and balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

13. ACCOUNTANTS' REPORT (CONT'D)

The amount of borrowing costs eligible for capitalisation is determined based on actual interest incurred on borrowings made specifically for the purpose of obtaining a qualifying asset and less any investment income on the temporary investment of that borrowing.

All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

Employee BenefitsShort-term employee benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

Defined contribution plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that taxable profits will be available against which those deductible temporary differences, unused tax losses and unabsorbed capital allowances can be utilised.

13. ACCOUNTANTS' REPORT (CONT'D)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting period. The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current tax and deferred tax for the year

Current and deferred tax are recognised as an expense or income in profit or loss.

Property, Plant and Equipment

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses.

Capital work-in-progress is stated at cost and not depreciated until such time when the asset is available for use.

Depreciation on other property, plant and equipment is charged to profit or loss on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are as follows:

Building	2%
Computer software	20% - 33⅓%
Electrical fittings	20%
Furniture and fittings	10%
Motor vehicles	20%
Office equipment	10% - 20%
Renovation	11% - 20%
Plant and machinery	20%

13. ACCOUNTANTS' REPORT (CONT'D)

The depreciation method, useful lives and residual values are reviewed and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

Intangible Assets

Intangible assets are stated at cost less accumulated amortisation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with MFRS136 *Impairment of Assets*.

Costs that are directly associated with identifiable assets controlled by the Group that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets.

Expenditure which enhances or extends the performance of intangible assets beyond their original specifications is recognised as a capital improvement and added to the original cost of the intangible assets. Costs associated with maintaining intangible assets are recognised as an expense when incurred.

Amortisation of the intangible assets begins when it is available for use, which means when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceed and the carrying amount of the asset and is recognised in profit or loss when the asset is derecognised.

13. ACCOUNTANTS' REPORT (CONT'D)**Investment Properties**

Investment properties are properties which are owned or held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes (including property under construction for such purposes). Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

When the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value has been reliably determinable or construction is complete, whichever is earlier.

Investment properties are derecognised when either they have 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 year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that non-financial assets may be impaired.

If such an indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit ("CGU") to which the asset belongs.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the CGU to which the asset belongs. Goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's CGUs, or groups of CGUs, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

13. ACCOUNTANTS' REPORT (CONT'D)

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset, other than goodwill, is reversed if, and only if, there has been a change in the estimates used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset, other than goodwill, is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset, other than goodwill, is recognised in profit or loss, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

Inventories**Land held for property development**

Land held for property development, stated at cost less accumulated impairment losses, if any, is classified as a non-current asset when no development work has been carried out or where development activities are not expected to be completed within the normal operating cycle.

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

Land held for property development is reclassified to property development costs at the point when development activities commence and where it can be demonstrated that the development activities can be completed within the normal operating cycle.

13. ACCOUNTANTS' REPORT (CONT'D)Property development costs

Property development costs are determined based on a specific identification basis. Property development costs comprising costs of land, direct materials, direct labour, other direct costs, attributable overheads and payments to subcontractors that meet the definition of inventories are recognised as an asset and are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable selling expenses. The asset is subsequently recognised as an expense in profit or loss when /or as the control of the asset is transferred to the customer over time or at a point in time.

Completed development properties

Inventories consist of completed development properties, which are stated at the lower of cost and net realisable value.

The cost of completed development properties comprises cost of land and relevant development expenditure.

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

Financial Instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

Financial assets and liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit and loss) are added to or deducted from the fair value of the financial assets and liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets and financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(i) 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.

13. ACCOUNTANTS' REPORT (CONT'D)Financial assets measured at amortised cost

Financial assets are subsequently measured at amortised cost if these financial assets are held within a business model whose objective is to hold these assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts future cash receipts or payments through the expected life of the financial instrument, or where appropriate, a shorter period.

Impairment of financial assets

Loss allowance for expected credit losses is recognised for financial assets measured at amortised cost and fair value through other comprehensive income. The Group recognises life time expected credit losses for all receivables that do not constitute a financing transaction. For financial assets whose credit risk has not significantly increased since initial recognition, loss allowance equal to twelve months expected credit losses is recognised. Loss allowance equal to the lifetime expected credit losses is recognised if the credit risk on the financial instruments has significantly increased since initial recognition. The impairment losses and reversals are recognised in the consolidated statement of profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group recognises the retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. On derecognition of a financial asset (except for financial assets measured at FVTOCI), the difference between the carrying amount and the consideration received is recognised in the consolidated statement of profit or loss.

(ii) Financial Liabilities and Equity InstrumentsClassification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

13. ACCOUNTANTS' REPORT (CONT'D)Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest rate method where the time value of money is significant. Interest bearing bank loans, overdrafts and issued debt are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in the consolidated statement of profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or a shorter period, to the net carrying amount on initial recognition.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The differences between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated statement of profit or loss.

(iii) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the impairment loss determined in accordance with MFRS 9 *Financial Instruments*; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

13. ACCOUNTANTS' REPORT (CONT'D)

Contract Assets and Contract Liabilities

Contract asset is the right to consideration 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. 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 customers for which the Group has received the consideration or has billed the customers. 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 its obligation under the contracts.

Contract Cost Assets

The Group recognises the incremental costs of obtaining a contract with a customer, which are expected to be recovered, as an asset. The incremental costs of obtaining a contract are costs incurred to obtain a contract with a customer that it would not have incurred if the contract had not been obtained.

These contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates. An impairment loss is recognised in profit or loss when the carrying amount of the contract cost asset exceeds the expected revenue less expected costs that will be incurred.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Provision for Bumiputera quota penalties on non-compliance of Bumiputera quotas is recognised based on estimated penalties to be imposed by local authorities.

13. ACCOUNTANTS' REPORT (CONT'D)**Segment Reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment's results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. Additional disclosures on each of these segments are shown in Note 40, including the factors used to identify the reportable segments and the measurement basis of segment information.

Consolidated Statement of Cash Flows

The Group adopts the indirect method in the preparation of the consolidated statement of cash flows.

Cash and cash equivalents include cash on hand and at banks and short-term highly liquid investments with maturities of three months or less from the date of acquisition and are readily convertible to cash with insignificant risks of changes in value, against which bank overdrafts, if any, are deducted.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**Critical Judgements in Applying the Group's Accounting Policies**

In applying the Group's accounting policies, which are described in Note 3 above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources associated with estimation uncertainty at the reporting date that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Revenue and Cost of Sales Recognition for Property Development Activities

Revenue is recognised as and when the control of the asset is transferred to customers and it is probable that the Group will collect the consideration to which it will be entitled in exchange for the asset that will be transferred to the customer. Depending on the terms of the contract and the applicable laws governing the contract, control of the asset may transfer over time or at a point in time.

13. ACCOUNTANTS' REPORT (CONT'D)

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation based on the physical proportion of contract work-to-date certified by professional consultants. Significant judgement is required in determining the progress towards complete satisfaction of that performance obligation based on the certified work-to-date corroborated by the level of completion of the development based on actual costs incurred to date over the estimated total property development costs. The total estimated costs are based on approved budgets, which require assessments and judgements to be made on changes in, for example, work scope, changes in costs and costs to completion. In making these judgements, management relies on past experience and the work of specialist.

Deferred Tax Assets

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences, unused tax losses and unabsorbed capital allowances could be utilised.

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 18.

Net Realisable Value of Inventories - Completed Properties

Inventories are stated at the lower of cost and net realisable value. The Group determines net realisable value based on historical trends and management estimates of future selling pricing. Possible changes in these estimates could result in revisions to the valuation of inventories. The details are disclosed in Note 20.

Provision for Bumiputera Quota Penalties

Provision for Bumiputera quota penalties is recognised for expected claims based on estimated penalties to be imposed by local authorities. Significant judgement is required in determining the amount of provision for Bumiputera quota penalties to be made. The Group evaluates the amount of provision required based on past experience and the industry norm. The details are disclosed in Note 32.