
7. BUSINESS OVERVIEW (Cont'd)

In the provision of design and build construction services to LPPB, our Group's construction works include the following:

- construction planning and management, including the procurement of building materials such as aggregates and crusher run, piles, ready-mix, river sand, cement, wire mesh, tiles and interior fittings;
- site preparation and earthworks, including land clearing, soil removal and backfilling; and
- civil construction works, including below-ground substructures such as retention walls, foundations and basements, and infrastructure works, as well as above-ground superstructures such as main building works.

Our Group may outsource the abovementioned construction works to subcontractors as and when required. Our Group also engages subcontractors to carry out other aspects of construction works which our Group does not provide, such as groundworks and carpark construction, metal and roofing works, interior aluminium and window works, painting and ceiling works, piling works, M&E works, sewerage works, tiling works, substation works and landscaping works.

In addition to the above, pursuant to the arrangement with LPPB, our Group will also carry out the following:

- a preliminary survey on the prospective land and inform LPPB in the event that our Group has intention and resources to develop the prospective land. Upon entering into an agreement with LPPB to develop the prospective land as a design and build contractor, our Group will conduct a more in-depth site assessment and market feasibility study on the proposed development land;
- preparing and submitting project design and all the development plans to LPPB for approval prior to submission to the relevant authorities;
- obtaining approvals from the relevant authorities in respect of the development plans within a stipulated period of time from the agreement (our Group may engage with and appoint at its own cost and expense all consultants and professionals thereto, with the consent of LPPB);
- removing and clearing all structures and squatters (if any) on the land which the construction works are being carried out on, at our Group's own cost and expense;
- applying for conversion and sub-division of the land in accordance with the approved development plans and to engage and appoint at our Group's own cost and expense surveyors to carry out the sub-divisional survey and to pay for all premiums / enhanced premium upon sub-division (subject to an agreed maximum amount of land premium to be paid by LPPB, where applicable);
- applying for and obtaining the issuance of separate document of titles of the property units comprised in the development at our Group's own cost and expense;
- applying for and obtaining the OC/CFO from the relevant authority in respect of the property units comprised in the development upon completion;
- where there is a third-party charge over the land for the purpose of raising term and/or bridging loans to finance the construction of the project, our Group to provide and furnish a bank guarantee in favour of LPPB in the sum equivalent to 30.0% of the land value;

7. BUSINESS OVERVIEW (Cont'd)

- overseeing the administration, management, completion and marketing of the project;
- paying LPPB its entitlement at the time and manner as set out in the respective agreements; and
- providing a sales report as and when required by LPPB.

Since 2010 and up to LPD, all projects undertaken by our Group as a design and build contractor to LPPB are exempted from the requirement of the HDE 1978 to apply for an APDL to allow our Group to advertise and sell the projects. Under the HDE 1978, an APDL is a mandatory permit that is granted by the local housing ministry which gives property developers the permission to advertise and sell a property project. Our Group undertakes the role as a design and build contractor in projects with LPPB, a statutory body that is exempted from the requirement of having an APDL under the HDE 1978. In addition, our Group has obtained written confirmation from the Controller of Housing that our Group, who plays the role of design and build contractor in projects with LPPB are not required to obtain an APDL.

7.3.1.2 Provision of general building construction services to the private and public sectors (i.e. other than LPPB)

Our Group also provides general building construction services which refer to the typical construction activities undertaken by contractors to construct buildings based on customer's building design, to the private and public sectors (i.e. other than LPPB) upon request and through tenders. General building construction services provided upon request are based on direct negotiation with customers. On the other hand, general building construction services provided through tender is initiated by invitations for tender or tender advertisements whereby our Group will submit a tender proposal based on the project owner's requirements. The general building construction contract is secured when we are successful with the tender and are awarded the project. Since the commencement of our general building construction services in 1993, our Group had completed 17 projects with a total GDV of RM58.7 million for the private sector, and 7 projects with a total GDV of RM216.1 million for the public sector (i.e. other than LPPB). Our Group's most recent general building construction project was completed in 2016. During FYE 2020 to 2023, we did not undertake any general building construction projects and there was no revenue derived from this segment. However, we had in February 2024 secured a general building construction project from Jawala Corporation Sdn Bhd (the main contractor), as an IBS specialist sub-contractor for the construction of 'Pembinaan RKAT Tambahan Pelbagai Kelas di Kem Lok Kawi, Sabah' in which we had commenced construction works in March 2024.

Our construction works are similar to the construction works carried out under the design and build construction services to LPPB as set out above.

While our Group undertakes the abovementioned construction works, we may outsource the abovementioned construction works to subcontractors as and when required. Our Group also engages subcontractors to carry out other aspects of construction works which our Group does not provide, such as groundworks and carpark construction, metal and roofing works, interior aluminium and window works, painting and ceiling works, piling works, M&E works, sewerage works, tilling works, substation works and landscaping works.

Our construction activities are further complemented by our in-house manufacturing of IBS components, which are carried out in our casting yard. Further details on our IBS components are as set out in Section 7.4.

7. BUSINESS OVERVIEW (Cont'd)

7.3.1.3 Our design and build construction projects

The details of our design and build construction projects are set out in (a) to (c) below:

(a) Completed projects

As at LPD, the projects that we have completed as a design and build contractor to LPPB since 2010 are as shown below:

<u>Name of project</u>	<u>Type of project</u>	<u>Total site area acres</u>	<u>Description</u>	<u>Commencement date⁽¹⁾ / Completion date⁽²⁾</u>	<u>Total units launched</u>	<u>Total units sold</u>	<u>% sold</u>	<u>GDV RM'million</u>
Taman Wawasan Phase 3 (Phase 3A and 3B)	Residential	13.0	Double-storey terrace houses: <ul style="list-style-type: none"> • 122 intermediate double-storey terrace units (846 sq ft); and • 22 corner double-storey terrace units (846 sq ft) 	October 2010 / March 2013	144	144	100.0	18.7
Taman Wawasan Phase 4 (Phase 4A and 4B)	Residential	13.0	Double-storey terrace houses: <ul style="list-style-type: none"> • 88 intermediate double-storey terrace units (756 sq ft to 846 sq ft) • 20 corner double-storey terrace units (756 sq ft to 846 sq ft) 	February 2012 / March 2014	108	108	100.0	15.5
Total					252	252	100.0	34.2

7. BUSINESS OVERVIEW (Cont'd)

Name of project		Type of project	Total site area acres	Description	Commencement date ⁽¹⁾ / Completion date ⁽²⁾	Total units launched	Total units sold	% sold	GDV RM'million
Taman Gloxinia Phase 1	La	Residential	29.8	Double-storey terrace houses: <ul style="list-style-type: none"> • 105 intermediate double-storey terrace units (1,000 sq ft); • 22 intermediate corner double-storey terrace units (1,200 sq ft); and • 8 corner double-storey terrace units (1,200 sq ft) 	February 2012 / October 2014	135	135	100.0	34.4
Taman Gloxinia Phase and 2C	La 2A	Residential		Double-storey terrace houses: <ul style="list-style-type: none"> • 146 intermediate double-storey terrace units (1,000 sq ft); • 26 intermediate corner double-storey terrace units (1,200 sq ft); and • 11 corner double-storey terrace units (1,200 sq ft) 	February 2013 / June 2015 and December 2016	183	183	100.0	49.2

7. BUSINESS OVERVIEW (Cont'd)

Name of project	Type of project	Total site area acres	Description	Commencement date⁽¹⁾ / Completion date⁽²⁾	Total units launched	Total units sold	% sold	GDV RM'million
Gloxinia Avenue Phase 2B	Commercial		20 units of double-storey shoplots (3,360 sq ft)	May 2013 / February 2016	20	20	100.0	13.6
Taman La Gloxinia Phase 3A and 3B	Residential		Double-storey terrace houses: <ul style="list-style-type: none"> • 120 intermediate double-storey terrace units (1,000 sq ft); • 16 intermediate corner double-storey terrace units (1,200 sq ft); and • 18 corner double-storey terrace units (1,200 sq ft) 	May 2013 / February 2016	154	154	100.0	42.6
Total					492	492	100.0	139.8
Puncak Gloxinia Phase 1 (Block A, B and C)	Residential-PPAM	16.7	3 blocks comprising: <ul style="list-style-type: none"> • 18 floors of civil servants housing units (1,000 sq ft to 1,325 sq ft) 	October 2015 / August 2018	648	648	100.0	223.8
Puncak Gloxinia Phase 2 (Block D, E and F)	Residential-PPAM	16.7	3 blocks comprising: <ul style="list-style-type: none"> • 18 floors of civil servants housing units (925 sq ft to 1,100 sq ft) 	October 2017 / June 2020	648	648	100.0	194.7
Total					1,296	1,296	100.0	418.5

7. BUSINESS OVERVIEW (Cont'd)

Name of project	Type of project	Total site area acres	Description	Commencement date⁽¹⁾ / Completion date⁽²⁾	Total units launched	Total units sold	% sold	GDV RM'million
Taman Seri Lemawang Phase 1A	Residential	4.2	Double-storey terrace houses: <ul style="list-style-type: none"> • 76 intermediate double-storey terrace units (900 sq ft); • 4 intermediate corner double-storey terrace units (998 sq ft); and • 8 corner double-storey terrace units (998 sq ft) 	February 2019 / January 2022	88	88	100.0	23.1
Taman Seri Lemawang Phase 1B	Residential	4.4	Double-storey terrace houses: <ul style="list-style-type: none"> • 75 intermediate double-storey terrace units (900 sq ft); • 6 intermediate corner double-storey terrace units (998 sq ft); and • 8 corner double-storey terrace units (998 sq ft) 	August 2019 / January 2022	89	89	100.0	24.0
Taman Seri Lemawang Phase 1C	Residential	4.4	Double-storey terrace houses: <ul style="list-style-type: none"> • 78 intermediate double-storey terrace units (900 sq ft); 	February 2020 / September 2022	94	94	100.0	25.9

7. BUSINESS OVERVIEW (Cont'd)

<u>Name of project</u>	<u>Type of project</u>	<u>Total site area acres</u>	<u>Description</u>	<u>Commencement date⁽¹⁾ / Completion date⁽²⁾</u>	<u>Total units launched</u>	<u>Total units sold</u>	<u>% sold</u>	<u>GDV RM'million</u>
Taman Seri Lemawang Phase 1D	Residential	4.7	<ul style="list-style-type: none"> 8 intermediate corner double-storey terrace units (998 sq ft); and 8 corner double-storey terrace units (998 sq ft) 	August 2020 / March 2023	114	114	100.0	32.3
Taman Seri Lemawang Phase 1E	Residential	4.7	<ul style="list-style-type: none"> 96 intermediate double-storey terrace units (900 sq ft); 8 intermediate corner double-storey terrace units (998 sq ft); and 10 corner double-storey terrace units (998 sq ft) 	April 2022 / March 2024	98	97	99.0	31.1

7. BUSINESS OVERVIEW (Cont'd)

<u>Name of project</u>	<u>Type of project</u>	<u>Total site area acres</u>	<u>Description</u>	<u>Commencement date⁽¹⁾ / Completion date⁽²⁾</u>	<u>Total units launched</u>	<u>Total units sold</u>	<u>% sold</u>	<u>GDV RM'million</u>
			<ul style="list-style-type: none"> • 6 corner double-storey terrace units (998 sq ft) 					
Taman Seri Lemawang Phase 1F	Residential	2.6	Double-storey terrace houses: <ul style="list-style-type: none"> • 48 intermediate double-storey terrace units (900 sq ft); • 4 intermediate corner double-storey terrace units (998 sq ft); and • 6 corner double-storey terrace units (998 sq ft) 	January 2021 / October 2023	58	58	100.0	16.7
Taman Seri Lemawang Phase 1G	Residential	5.5	Double-storey terrace houses: <ul style="list-style-type: none"> • 100 intermediate double-storey terrace units (900 sq ft); • 8 intermediate corner double-storey terrace units (998 sq ft); and • 8 corner double-storey terrace units (998 sq ft) 	February 2021 / October 2023	116	116	100.0	32.3

7. BUSINESS OVERVIEW (Cont'd)

Name of project	Type of project	Total site area acres	Description	Commencement date⁽¹⁾ / Completion date⁽²⁾	Total units launched	Total units sold	% sold	GDV RM'million
Plaza Seri Lemawang	Commercial	3.7	Double-storey shoplots comprising: <ul style="list-style-type: none"> • 16 units of double-storey shoplots (2,500 sq ft); and • 1 unit of double-storey detached shoplot (4,396 sq ft) 	June 2021 / December 2022	17	17	100.0	11.4
Total					674	673	99.9	196.8

Notes:

(1) Commencement date is based on the commencement date of construction works.

(2) Completion date for residential and commercial properties are based on issuance of OC/CFO, upon the completion of construction works.

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

(b) On-going projects

As at LPD, our Group's on-going design and build construction projects with LPPB are as shown below:

Name of project	Type of project	Total site area acres	Description	Commencement date ⁽¹⁾ / Expected completion date ⁽²⁾	% of completion	Total units launched	Total units sold	% sold	Estimated GDV RM'million
Taman Seri Lemawang Phase 1H	Residential	5.4	Double-storey terrace houses: <ul style="list-style-type: none"> • 100 intermediate double-storey terrace units (900 sq ft); • 8 intermediate corner double-storey terrace units (998 sq ft); and • 8 corner double-storey terrace units (998 sq ft) 	November 2021 / May 2024	95.0	116	116	100.0	32.7
Taman Seri Lemawang Phase 1I	Residential	2.9	Double-storey terrace houses: <ul style="list-style-type: none"> • 32 intermediate double-storey terrace units (900 sq ft); • 3 intermediate corner double-storey terrace units (998 sq ft); and 	January 2022 / May 2024	95.0	38	38	100.0	11.2

7. BUSINESS OVERVIEW (Cont'd)

Name of project	Type of project	Total site area acres	Description	Commencement date⁽¹⁾ / Expected completion date⁽²⁾	% of completion	Total units launched	Total units sold	% sold	Estimated GDV RM'million
			<ul style="list-style-type: none"> 3 corner double-storey terrace units (998 sq ft) 						
Total						154	154	100	43.9
Residensi Seri Akasia Block A and B	Residential	1.6	Low-rise apartment units: <ul style="list-style-type: none"> 2 blocks comprising 5 floors of apartment units (800 sq ft) 	October 2021 / May 2024	92.6	160	158	98.8	30.2
Residensi Seri Akasia Block C and D	Residential	1.0	Low-rise apartment units: <ul style="list-style-type: none"> 2 blocks comprising 5 floors of apartment units (800 sq ft) 	January 2022 (Block C) and October 2022 (Block D) / June 2024 (Block C) and December 2024 (Block D)	87.0 (Block C) and 59.0 (Block D)	160	135	84.4	30.8

7. BUSINESS OVERVIEW (Cont'd)

Name of project	Type of project	Total site area acres	Description	Commencement date⁽¹⁾ / Expected completion date⁽²⁾	% of completion	Total units launched	Total units sold	% sold	Estimated GDV RM'million
Residensi Seri Akasia Block E and F	Residential	1.0	Low-rise apartment units: <ul style="list-style-type: none"> • 2 blocks comprising 5 floors of apartment units (800 sq ft) 	October 2023 / June 2025	66.0 (Block E) and 63.0 (Block F)	160	8	5	35.8
Plaza Lemawang 2	Commercial	4.7	41 units of double-storey shoplots (2,100 sq ft to 2,600 sq ft)	October 2023 / June 2025	21.0	41	3	7.3	29.1
Total						521	304	58.3	125.9
Taman Bukit Alamanda	Residential	7.1	Double-storey terrace houses: <ul style="list-style-type: none"> • 85 intermediate double-storey terrace units (900 sq ft); • 8 intermediate corner double-storey terrace units (998 sq ft); and • 14 corner double-storey terrace units (998 sq ft) 	November 2021 / September 2024	95.0	107	107	100.0	35.7
Total						107	107	100.0	35.7

7. BUSINESS OVERVIEW (Cont'd)

Notes:

- (1) Commencement date is derived based on the commencement date of construction works.
- (2) Expected completion date for residential and commercial properties are derived based on the expected date of issuance of OC/CFO, upon the completion of construction works.

(c) Future projects

As at LPD, our Group's design and build construction projects for future development with LPPB are as shown below:

<u>Location of future project</u>	<u>Type of project</u>	<u>Total site area acres</u>	<u>Description</u>	<u>Expected commencement date⁽¹⁾</u>	<u>Total units</u>	<u>Estimated GDV RM'million</u>
Sandakan Phase 1 ⁽²⁾	Residential	20.1	Double-storey terrace houses: <ul style="list-style-type: none"> • 83 intermediate double-storey terrace units (998 sq ft); • 6 intermediate corner double-storey terrace units (1,096 sq ft); and • 10 corner double-storey terrace units (1,096 sq ft) 	July 2024	99	33.3
Sandakan Phase 2 ⁽²⁾	Residential		Double-storey terrace houses: <ul style="list-style-type: none"> • 60 intermediate double-storey terrace units (998 and 1,090 sq ft); • 8 intermediate corner double-storey terrace units (1,096 and 1,197 sq ft); and • 10 corner double-storey terrace units (1,096 and 1,197 sq ft) 	September 2025	78	27.2

7. BUSINESS OVERVIEW (Cont'd)

Location of future project	Type of project	Total site area acres	Description	Expected commencement date⁽¹⁾	Total units	Estimated GDV RM'million
Sandakan Phase 3 ⁽²⁾	Residential		Double-storey terrace houses: <ul style="list-style-type: none"> • 107 intermediate double-storey terrace units (1,090 sq ft); • 14 intermediate corner double-storey terrace units (1,197 sq ft); and • 12 corner double-storey terrace units (1,197 sq ft) 	September 2026	133	47.4
Total					310	107.9

Notes:

(1) Expected commencement date is derived based on the expected commencement date of construction works.

(2) Our Group has received the development order, but had resubmitted the amended development plans for approval and is pending the approval for building plan to commence construction works.

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

7.3.2 Property development

As a property developer for our own projects, our Group is involved in all aspects of property development activities comprising site selection, project design, submission of building plans to relevant authorities, sales and marketing of our projects, and delivery of vacant possession to end buyers, as well as in construction activities. As a property developer regulated under the HDE 1978, our Group is required to apply for APDL to advertise and sell our residential property projects. Save for The Logg which is a joint venture development with LPPB and is exempted from the requirement of the HDE 1978 to apply for an APDL, our Group obtains APDL for all our own property development projects.

Our property development activities are supported by our in-house construction services, which is complemented by our in-house manufacturing of IBS components. Further details on our in-house construction services and the manufacturing of IBS components are as set out in Sections 7.3.1.1 and 7.4 respectively.

The details of our Group's own property projects are set out in Sections 7.3.2.1 to 7.3.2.4 below:

7.3.2.1 Completed projects

Since the commencement of our property development activities in 1998, our Group has completed several residential and commercial projects, directly and through joint ventures. Our Group's most recent completed property development project was in 2013. Since 2013, we have focused our expertise and resources in providing design and build construction services to LPPB.

A summary of our Group's own property development projects completed since 1998 up to 2013 are as shown below:

Name of project	Parties involved in the project	Description	Commencement date⁽¹⁾ / Completion date⁽²⁾	GDV (RM million)
Taman Ehsan	• Our Group is the project and land owner	<ul style="list-style-type: none"> • Commercial project; • Total site area of 10.0 acres; • 3 units of double-storey shoplots (2,100 sq ft) launched; and • 100.0% sold 	August 1998 / August 2000	1.0
Taman Orkid – Phase 1, 2 and 3	• Our Group is the project and land owner	<ul style="list-style-type: none"> • Residential and commercial project; • Total site area of 36.5 acres; • 245 units of double-storey terrace houses and semi-detached houses (714 sq ft to 2,406 sq ft) launched; • 175 units of single and double-storey detached houses (3,360 sq ft to 7,372 sq ft) launched; • 6 units of double-storey shoplots (1,225 sq ft to 1,250 sq ft) launched; and • 100.0% sold 	January 2000 / September 2004	31.0

7. BUSINESS OVERVIEW (Cont'd)

Name of project	Parties involved in the project	Description	Commencement date⁽¹⁾ / Completion date⁽²⁾	GDV (RM million)
Taman Bunga Matahari	<ul style="list-style-type: none"> • Our Group is the project and land owner 	<ul style="list-style-type: none"> • Residential and commercial project; • Total site area of 11.9 acres; • 52 units of single-storey terrace houses and semi-detached houses (2,110 sq ft to 6,370 sq ft) launched; • 2 blocks of low-rise apartment comprising 94 apartment units (700 sq ft) and 5 units of shoplots (1,500 sq ft) launched; and • 100.0% sold 	May 2000 / May 2003	12.0
Taman Kepayan Phase 3	<ul style="list-style-type: none"> • Our Group is the project and land owner 	<ul style="list-style-type: none"> • Residential project; • Total site area of 0.1 acres; • 8 units of double-storey semi-detached houses (1,100 sq ft) launched; and • 100.0% sold 	August 2003 / October 2004	2.4
Taman Nelly 9 – Phase 1, 2, 3 and 4	<ul style="list-style-type: none"> • Our Group is the project owner • Edward S Jaip is the land owner 	<ul style="list-style-type: none"> • Residential and commercial project; • Total site area of 24.3 acres; • 198 units of single-storey terrace houses and linked houses (960 sq ft) launched; • 10 units of double-storey and 4-storey shoplots (2,500 sq ft to 10,000 sq ft) launched; and • 100.0% sold 	March 2003 / March 2006 (Residential) and September 2012 (Commercial)	40.9
Taman Lavender	<ul style="list-style-type: none"> • Our Group is the project and land owner 	<ul style="list-style-type: none"> • Residential project; • Total site area of 11.4 acres; • 99 units of double-storey terrace houses and semi-detached houses (2,079 sq ft to 2,993 sq ft) launched; and • 100.0% sold 	March 2005 / May 2012	38.7
Taman Nelly – Phase 8A, 8B, 8C and 8D	<ul style="list-style-type: none"> • Our Group is the project owner for Phase 8A, 8B and 8C • Edward S Jaip is the land owner for Phase 8A, 8B and 8C 	<ul style="list-style-type: none"> • Residential project; • Total site area of 12.8 acres; • 1 block of low-rise apartment comprising 64 apartment units (833 sq ft) launched; • 6 blocks of low-rise studio apartment comprising 280 studio units (242 sq ft and 257 sq ft) launched; 	October 2004 / May 2013	51.8

7. BUSINESS OVERVIEW (Cont'd)

<u>Name of project</u>	<u>Parties involved in the project</u>	<u>Description</u>	<u>Commencement date⁽¹⁾ / Completion date⁽²⁾</u>	<u>GDV (RM million)</u>
	<ul style="list-style-type: none"> Edward S Jaip and Sumber Mas Sdn Bhd is the landowner for Phase 8D 	<ul style="list-style-type: none"> 92 units of double-storey terrace houses (1,170 sq ft to 2,275 sq ft) launched; and 98.6% sold 		
Taman Kota Phase 2A	<ul style="list-style-type: none"> Our Group is the project owner Future City Sdn Bhd is the land owner 	<ul style="list-style-type: none"> Residential project; Total site area of 24.9 acres; 65 units of single-storey terrace houses (1,000 sq ft) launched; and 100.0% sold 	August 2009 / January 2012	13.6
Kota Plaza 1 and Plaza 2	<ul style="list-style-type: none"> Our Group is the project owner for Kota Plaza 1 and Plaza 2 Our Group is the land owner for Kota Plaza 1 Future City Sdn Bhd is the land owner for Kota Plaza 2 	<ul style="list-style-type: none"> Commercial project; Total site area of 4.5 acres; 26 units of double-storey and 3-storey shoplots (1,794 to 2,710 sq ft) launched; and 100.0% sold 	October 2011 / May 2013	16.2
Total				207.6

Notes:

- (1) Commencement date is derived based on the commencement date of construction works.
- (2) Completion date for residential and commercial properties are derived based on the issuance of OC/CFO, upon the completion of construction works.

7.3.2.2 On-going projects

As at LPD, we have 2 on-going property development project, namely The Logg in Luyang which is a joint venture development with LPPB; and Ayuria Place in Alamesra which is our Group's own project.

(a) Our joint development arrangement with LPPB

Pursuant to the agreement entered into between LPPB and our Group for the development of The Logg, our Group's obligations include the following:

<u>Our Group's obligations</u>	<u>Status as at LPD</u>
<ul style="list-style-type: none"> paying a portion of the compensation amount payable by the State Government of Sabah to the owners of the properties on the project land arising from the compulsory acquisition by the State Government of Sabah of the parcels of lands which are to be developed situated in Luyang, Sabah ("said Lands"). 	Completed

7. BUSINESS OVERVIEW (Cont'd)

Our Group's obligations	Status as at LPD
<p>The compensation amount payable for the compulsory acquisition of the said Lands is to be jointly contributed by our Group and LPPB on a 60:40 ratio i.e. 60.0% by our Group and 40.0% to be contributed by LPPB (subject to an agreed maximum amount of RM12.0 million);</p> <p>The compensation amount is a sum determined by Sabah's Land and Survey Department and paid to the owners of the original properties located on the project land upon compulsory acquisition of the land for redevelopment of The Logg. It was agreed with LPPB that the compensation amount shall be paid jointly by our Group and LPPB on a 60:40 ratio. It was agreed and stated in the joint venture agreement that LPPB's contribution shall be 40.0% of the total compensation amount capped at a maximum of RM12.0 million. Total compensation paid to date to the owners of the original properties located on the project land is RM26,050,000, in which RM15,810,000 was paid by our Group and RM10,240,000 was paid by LPPB;</p>	
<ul style="list-style-type: none"> • preparing and submitting all the relevant plans to LPPB for approval prior to submission to the relevant authorities; 	Completed
<ul style="list-style-type: none"> • submitting the relevant plans to the relevant authorities and obtain such approval within the stipulated time period in the agreement, and for such purpose and with the consent of LPPB to engage and appoint all consultants and professionals thereto; 	Completed
<ul style="list-style-type: none"> • overseeing the appointment of architects, engineers, consultants, surveyors, solicitors, subcontractors and others in respect of the project; 	Completed
<ul style="list-style-type: none"> • applying for amalgamation, conversion and sub-division of the said Lands in accordance with the approved development plans and to engage and appoint licensed surveyors to carry out the sub-divisional survey; 	The amalgamation and conversion of land have been completed. The application for subdivision of land is expected to commence in 2024 and completed by 2029
<ul style="list-style-type: none"> • applying for and obtaining the OC/CFO from the relevant authority in respect of the property units comprised in the development upon completion; 	The application for OC/CFO is expected to be submitted in December 2025
<ul style="list-style-type: none"> • raising requisite finances and loans whether bridging or otherwise for the construction of the project and be solely responsible to repay such finance plus all interests payable; 	Completed

7. BUSINESS OVERVIEW (Cont'd)

Our Group's obligations	Status as at LPD
<ul style="list-style-type: none"> overseeing the administration, management, completion and marketing of the project; 	On-going
<ul style="list-style-type: none"> paying LPPB its entitlement at the time and manner as stipulated in the agreement; 	Quarterly payment of LPPB's entitlement will begin in April 2022, for a period of 5 years up to January 2027. As at LPD, our Group has already paid RM20.7 million to LPPB, leaving a remaining balance of RM12.0 million
<ul style="list-style-type: none"> providing sales report as and when required by LPPB; and 	To be provided upon request by LPPB
<ul style="list-style-type: none"> Completing the construction of The Logg. 	The construction of the project commenced in July 2019 and is expected to be completed by December 2025

LPPB's obligations under the joint venture agreement include the followings:

LPPB's obligations	Status as at LPD
<ul style="list-style-type: none"> to submit the application to the Director of Lands and Surveys for the alienation of the project lands to LPPB and to take all necessary steps to obtain approval and issuance of the letter of offer for such alienation, and pay the necessary premium required; 	Completed. Such letter of offer was dated 7 September 2017 and the payment of premium was made on 12 October 2017
<ul style="list-style-type: none"> applies and takes all necessary steps to obtain the issuance of the master title to the project lands at its own cost and expenses and the subsidiary document of titles of the units; 	The master title (the land use of which has been converted to housing and commercial development) bearing title no. CL015721276 was issued on 6 September 2019 and the subsidiary document of titles of the units are to be issued after completion of the project

7. BUSINESS OVERVIEW (Cont'd)

LPPB's obligations	Status as at LPD
<ul style="list-style-type: none"> pays for its initial investment of 40.0% of the compensation amount which is payable in respect of the acquisition of the project land subject to a maximum sum of RM12.0 million; 	Completed
<ul style="list-style-type: none"> creates and provides a third-party charge (or prior to the issuance of the master title to the project land, an assignment over all its benefit, claim and rights over the project land) in favour of any banks or financial institutions as primary security for the banking facilities or financing to be obtained by our Group for the purposes of financing the construction of the project; 	Completed
<ul style="list-style-type: none"> gives its consent to any assignment by purchasers where appropriate and/or required by the relevant banks or financial institutions providing the requisite financing to purchasers of the units comprised in the project; and 	Consent was given through joint venture agreement dated 22 April 2015
<ul style="list-style-type: none"> bears and pays the land premium levied by the Government or other land authority in respect of the amalgamation, conversion and subdivision of the project land subject to a maximum amount of RM4.5 million and any sum in excess shall be paid by our Group. 	To be complied with respect to subdivision of the project land

Our Group's arrangement with LPPB for The Logg also comprises the full payment of LPPB's entitlement within a 5-year period from April 2022 up to January 2027. Upon the receipt of full payment, LPPB will grant the full ownership of The Logg to our Group.

LPPB's sharing arrangement of 60:40 with our Group is unique for The Logg only, and applies only to the compensation amount paid for the compulsory acquisition. LPPB's entitlement to be paid on a quarterly basis over 5 years from April 2022 up to January 2027 is agreed at 200.0% of the LPPB's initial investment of RM10,240,000 (being its portion of the compensation amount), which amounts to RM30,720,000.

Our Group is unable to ascertain whether it is a common practice for Sabah property developers for such scheme of compulsory acquisition of land by LPBB, as it is not privy to the arrangements LPPB has with other property developers.

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

(b) Our project details



The Logg is our Group's first mixed development project and is also our Group's first joint development project with LPPB. For avoidance of doubt, it is not a PPAM project.

The Logg is strategically located at a prime location in Luyang, Sabah with well-developed infrastructure and community. The project is situated 6.0 km from Kota Kinabalu City Centre and 6.0 km from Kota Kinabalu International Airport. The location of this project also provides convenient access to various amenities such as entertainment and leisure activities (e.g. Sabah Golf and Country Club, Heritage Plaza and Lintas Plaza) and healthcare facilities (e.g. Klinik Kesihatan Luyang, Queen Elizabeth II Hospital and KPJ Sabah Specialist Hospital), in which Sabah Golf and Country Club, Queen Elizabeth II Hospital and KPJ Sabah Specialist Hospital is located within 5.0 km from our development; while Heritage Plaza, Lintas Plaza and Klinik Kesihatan Luyang are located within walking distance from our development.

The Logg is developed on a piece of 5-acre land, comprising the following:

- 2 blocks of 28-storey condominiums, namely Shorea Astoria, with built-up areas ranging from 681 sq ft to 1,313 sq ft. It features a gated and guarded environment with security features such as boom gates with access card system, CCTV surveillance system and round-the-clock security services; and is also equipped with common facilities such as infinity pool, podium garden, gym room and badminton hall;

7. BUSINESS OVERVIEW (Cont'd)

- 1 block of 28-storey apartment units, namely Parkhill, with built-up areas ranging from 620 sq ft to 850 sq ft. It features a gated and guarded environment with security features such as boom gates with access card system, CCTV surveillance system and round-the-clock security services; and is also equipped with common facilities such as gym, playground, sauna room and community lawn;
- a 38-storey 4-star hotel, namely Avani Luyang @ The Logg, with 370 rooms. Our Group will be the owner of the hotel and our Group had on 12 June 2018 secured the services of MHG to manage our hotel, namely Avani Luyang @ The Logg, upon its completion; and
- a commercial building comprising 2 levels of retail space featuring 45 units of retail outlets, 12 kiosks, 4 outdoor alfresco units as well as 3 levels of purpose-built offices. Our Group will be the owner of the commercial building and will be involved in managing the operations and tenancy of the commercial building.

ShoreaⁿAstoria and Parkhill are our Group's first residential project that is entitled to the HouzKEY home financing plan programme offered by Maybank Islamic Berhad. The HouzKEY home financing plan is a homeownership plan that provides enhanced flexibility and cash flow efficiency to first and second-time home buyers. The financing plan and eligibility criteria for entitlement of Maybank Islamic HouzKEY home financing plan programme is as detailed below:

Financing plan	Eligibility criteria
<ul style="list-style-type: none"> • Entitlement to apply for home financing plans of up to 100.0% loan value of the housing price; • Zero down payment; • Zero loan payment during the period of construction; and • Relatively lower monthly instalment payment or interest rates which is determined by Maybank Islamic Berhad based on market conditions. 	<ul style="list-style-type: none"> • Malaysian citizen only; • The applicant must be between 18 – 70 years old at the point of application; • The applicant must not have more than 1 home financing at the point of application; and • The applicant may include up to 3 guarantors to improve the success rate of their application.

The financing plan and eligibility criteria is disclosed as per Maybank Islamic Berhad's offering documents as at LPD. The financing plan and eligibility criteria may, from time to time, be revised at Maybank Islamic Berhad's discretion.

The project was launched in December 2021 where marketing activities were focused on Parkhill. The construction of the project commenced in July 2019 and is expected to be completed by December 2025. The operations of the hotel and retail space is also expected to commence in December 2025, wherein our Group had engaged MHG, a hotel management service provider, to manage the operations of Avani Luyang @ The Logg for a period of 20 years from the date of commencement of the hotel's operations. The intention to own, manage and/or operate a hotel and a commercial building (i.e. comprising retail space and purpose-built offices) is part of our Group's plan moving forward to diversify our business activities.

The GDV of The Logg's hotel is estimated at RM247.0 million, in which the GDC for the construction of The Logg's hotel is estimated at RM170.2 million; and the GDV of ShoreaⁿAstoria, Parkhill and the commercial building comprising retail space and purpose-built offices is estimated at RM767.6 million, in which the GDC for the construction of these buildings is estimated at RM450.0 million.

7. BUSINESS OVERVIEW (Cont'd)

Our Group intends to fund the above development costs with bank borrowings and internally generated funds as detailed below:

- (i) Avani Luyang @ The Logg (GDC of RM170.2 million)

	RM'000
Term financing	120,000
Internally generated funds	50,200

- (ii) Shorea^aAstoria, Parkhill and commercial building (GDC of RM450.0 million)

	RM'000
Bridging loan and term financing	300,000
Internally generated funds	Up to 30.0% of the sales proceeds obtained from the sale of units of The Logg

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

As at LPD, our Group has completed the below-ground substructures works (e.g. walls, foundations and basements as well as infrastructure works) for The Logg, and has commenced above-ground superstructures works (e.g. main building works). Overall, the status of completion for The Logg is as set out below:

Name of project	Type of project / Total site area (acres)	Description	% of completion as at LPD	Total units launched	Total units sold	% sold	Estimated GDV RM' million
The Logg, Luyang	Mixed development / 4.4	Shorea condominiums:	40.0	271	83	30.6	433.0
		<ul style="list-style-type: none"> 1 block of 28-storey condominiums (681 sq ft to 1,313 sq ft); and 1 floor of common facilities 					
		Astoria condominiums:		271	8 ⁽¹⁾	3.0 ⁽¹⁾	
		<ul style="list-style-type: none"> 1 block of 28-storey condominiums (681 sq ft to 1,313 sq ft); and 1 floor of common facilities 					
		Parkhill apartment:		250	226	90.4	111.4
		<ul style="list-style-type: none"> 1 block of 28-storey apartment (620 sq ft to 850 sq ft); and 1 floor of common facilities 					
		2 levels of retail space:		Not applicable ⁽²⁾	Not applicable ⁽²⁾	Not applicable ⁽²⁾	200.0
		<ul style="list-style-type: none"> 45 units of retail outlets; 12 kiosks; and 4 outdoor alfresco units 					

7. BUSINESS OVERVIEW (Cont'd)

Name of project	Type of project / Total site area (acres)	Description	% of completion as at LPD	Total units launched	Total units sold	% sold	Estimated GDV RM' million
		3 levels of purpose-built offices comprising 32 units of offices		32	8	25.0	31.8
		Hotel (Level 13 - Level 35): • 1 block of 38-storey 4-star hotel; and • 370 hotel rooms		Not applicable ⁽³⁾	Not applicable ⁽³⁾	Not applicable ⁽³⁾	247.0
Total				824	325	39.4	1,023.2

Notes:

- (1) The official launching of units for sale for Astoria is expected to commence in the fourth quarter of 2024. However, as at LPD, we have pre-sold 8 units.
- (2) Not applicable as the retail outlets, kiosks and outdoor alfresco units are not for sale. The retail outlets, kiosks and outdoor alfresco units will be rented to selected tenants and our Group will manage the operations and tenancy of the retail space.
- (3) Not applicable as the hotel units are not for sale.

The Logg is overall priced as a premium property (at a price range of approximately RM800 to RM1,000 per sq ft), and therefore the take-up rate is not expected to be as quick as our Group's affordable home projects. Nonetheless, its prime location at the heart of Luyang is expected to garner sales over the long run. In addition to existing rebate package promotions, our Group plans to launch an experiential home ownership package to both The Logg – Shorea^aAstoria buyers. The package offers unit maintenance subscription for 12 months after the vacant possession date and the launch of the experiential home ownership is in collaboration with a property management service company. With the launch of the experiential home ownership package, our Group is now aiming for wider audience apart from local Kota Kinabalu residents, and will market the project to the East Coast and West Coast of Sabah, Sarawak, Peninsular Malaysia, as well as foreign markets. Based on our Group's current purchasing data, our Group closed sales cases outside Sabah are from Sarawak, Australia, and Singapore. The experiential home ownership package is designed according to the feedback received from our Group's existing purchasers.

7. BUSINESS OVERVIEW (Cont'd)

As at LPD, further details on our Group's Ayuria Place project in Alamesra are as shown below:

Name of project	Type of project	Total site area acres	Description	Commencement date⁽¹⁾ / Expected completion date⁽²⁾	% of completion	Total units launched	Total units sold	% sold	Estimated GDV RM'million
Ayuria Place	Commercial	20.4 ⁽³⁾	The Village: • 4 units of double storey shoplots	September 2023 / December 2024	74.0	Not applicable ⁽⁴⁾	Not applicable ⁽⁴⁾	Not applicable ⁽⁴⁾	4.8
	Residential		Araya Gardens: • 42 units of double-storey superlink terrace (2,754 sq ft to 2,813 sq ft)	September 2023 / December 2025	24.0	42	- ⁽⁵⁾	- ⁽⁵⁾	51.6
	Residential		Kayana Heights (Phase 1): • 2 blocks of 39-storey apartment units (650 sq ft to 900 sq ft)	January 2024 / September 2027	8.0	866	- ⁽⁵⁾	- ⁽⁵⁾	315.0
Total						908	-	-	371.4

Notes:

- (1) Commencement date is derived based on the commencement date of construction works.
- (2) Expected completion date are derived based on the expected date of issuance of OC/CFO, upon the completion of construction works.
- (3) Comprises the total site area of Ayuria Place.
- (4) Not applicable as the shoplots are not for sale.

7. BUSINESS OVERVIEW (Cont'd)

(5) The units will be launched for sale in April 2024.

7.3.2.3 Future project

As at LPD, our Group's future project is as shown below:

Name of project	Type of project	Total site area (acres)	Description	Expected commencement date ⁽¹⁾ / Expected completion date ⁽²⁾	Total units	Estimated GDV RM' million
Ayuria Place	Residential	20.4 ⁽³⁾	Kayana Heights (Phase 2): <ul style="list-style-type: none"> 3 blocks of 39-storey apartment units (650 sq ft to 1,000 sq ft) 	December 2025 / September 2028	1,269	491.7
Total					1,269	491.7

Notes:

- (1) Expected commencement date is derived based on the expected commencement date of construction works.
- (2) Expected completion date is derived based on the expected date of issuance of OC/CFO, upon the completion of construction works.
- (3) Comprises the total site area of Ayuria Place.

Our Ayuria Place project is strategically located approximately 8 km distance from Kota Kinabalu City Centre, 8.0 km distance from Likas which is a sub-district in the city of Kota Kinabalu, and 10 km distance from Sepangar which houses the Sepangar Bay Oil Terminal, Sepangar Bay Container Terminal and a naval base for the Royal Malaysian Navy. It is also located within close proximity (i.e. less than 8km distance) to various educational institutions such as Tunku Abdul Rahman University College, University Malaysia Sabah (UMS) campus and Universiti Teknologi MARA (UiTM) Sabah Branch. The location of this project also provides convenient access to major highways such as Jalan Tun Fuad Stephens and Jalan UMS-Sulaman.

Prominent landmarks located nearby also include the Kota Kinabalu Industrial Park (KKIP), the Karambunai Resort Golf Club, the Sabah State Legislative Assembly Building, the Sabah Foundation tower, and the Sabah Federal Government Administrative Complex. In addition, this project is surrounded by various other amenities such as healthcare facilities (e.g. Sabah Women and Children Hospital and Smart Hospital UMS) and shopping mall (i.e. 1Borneo Hypermall).

7. BUSINESS OVERVIEW (Cont'd)

7.3.2.4 Land for future development

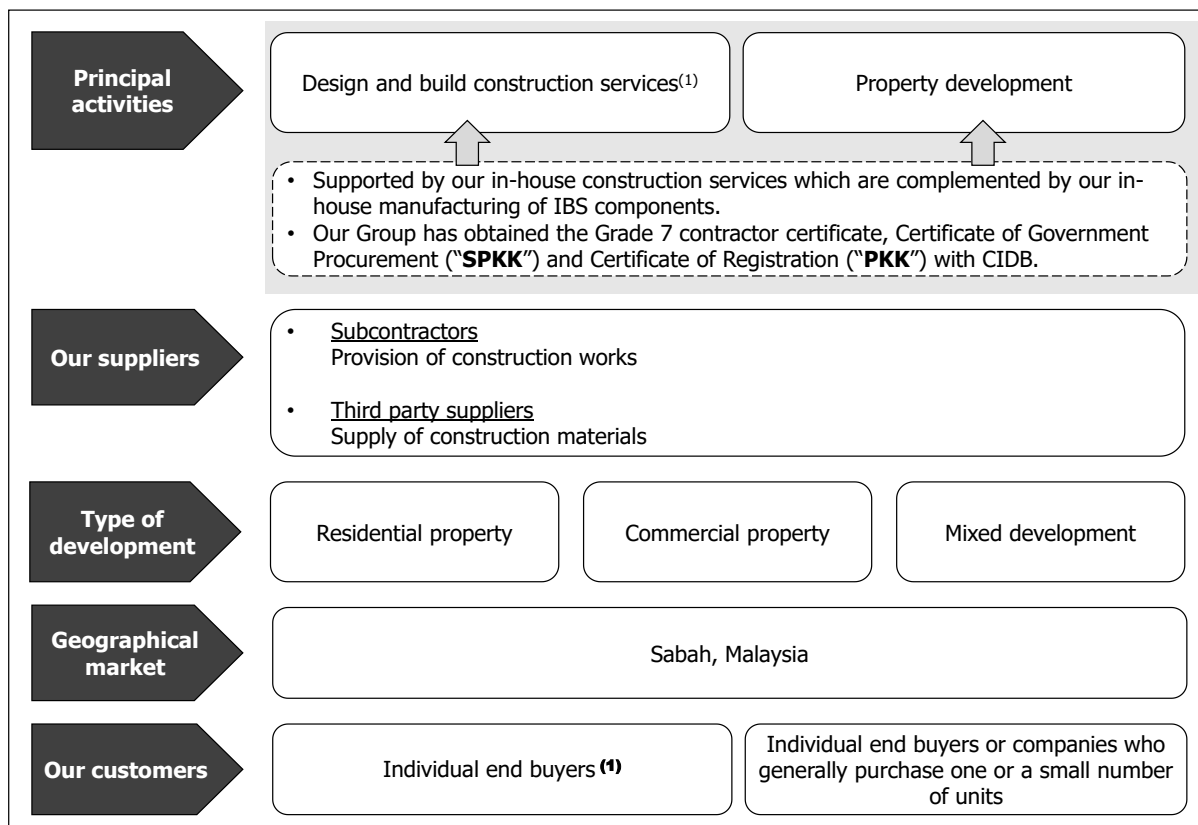
As at LPD, other than 2 parcels of remaining detached lots from previous developments as set out in Section 6.10.1(a) to (b), our Group does not hold any land for future development under our property development projects. Additionally, based on the existing approved development order of the Alamesra Lands, there will be a residual land area of 1.44 acres which is adjacent to the project upon its completion. However, this residual land is not earmarked for any future development.

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

7.3.3 Business model

Our business model can be summarised as follows:



Note:

- (1) While the property projects are sold to individual end buyers, our design and build construction services are a collaboration with LPPB to develop residential and commercial property projects for the general public and civil servants housing projects (i.e. PPAM). Further details on the arrangement with LPPB are as set out in Section 7.3.1.1.

7.4 MANUFACTURING OF IBS COMPONENTS

According to CIDB Malaysia, IBS construction techniques are generally categorised into precast concrete system, metal framing system, formwork system, timber framing system and blockwork system. In 2012, our Group began to adopt the precast concrete system IBS construction technique which comprises the off-site manufacturing of IBS components at our casting yard and ready IBS components will then be transported to our project sites for assembly and installation. This is different from the IBS construction technique adopted since 1999 which employs on-site production of IBS components at project sites. The precast concrete system uses reinforced concrete to form various components of a building or structure. The precast concrete system produces IBS components such as columns, beams, floor slabs, stairs, and interior and exterior wall panels which are prefabricated as discrete components.

7. BUSINESS OVERVIEW (Cont'd)

We have 2 casting yards, located in Tuaran and Kinarut, Sabah, respectively to manufacture the IBS components. Our casting yard in Tuaran has a land area of approximately 102,000 sq ft while our casting yard in Kinarut has a land area of approximately 653,000 sq ft. Ready-mix concrete that are used in the manufacturing of our IBS components are produced in our batching plant that is assembled within our Tuaran and Kinarut casting yards, respectively.

We have been operating from our casting yard in Tuaran which is located adjacent to our existing projects, to cater to the particular project needs and are also transported to our Group's other project sites for assembly and installation. The manufacturing of IBS components at our casting yard in Tuaran is supported by 2 IBS production lines. As at LPD, we have relocated the batching plant in our Tuaran casting yard and are in the midst of relocating the 2 IBS production lines to a temporary casting yard located within our new project site at Alamesra. We expect to complete the relocation of the 2 IBS production lines in August 2024 as our project in Alamesra had commenced construction (i.e. piling works) in September 2023. Further details on the relocation of our existing IBS production lines are as set out in Section 7.17.3.

As at LPD, our casting yard in Kinarut is temporarily not in operations as the supply of IBS components to its allocated project sites has been completed. Our casting yard in Kinarut has 3 IBS production lines to manufacture IBS components. We expect to recommence the operations at our Kinarut casting yard in June 2024 to cater for our external general building construction project which our Group secured from Jawala Corporation Sdn Bhd (the main contractor), as an IBS specialist sub-contractor for the construction of 'Pembinaan RKAT Tambahan Pelbagai Kelas di Kem Lok Kawi, Sabah' in February 2024. Further, our Group also intend to produce hollow core slabs at our Kinarut casting yard, which will supplement our Group's existing range of IBS components. To achieve this, we will purchase a new IBS production line to produce hollow core slabs. Further details on the purchase of our new IBS production line are set out in Section 7.17.3. In addition, the new IBS production line can also be used to produce existing IBS components to cater to our Group's project needs, as and when required. This new production line will also enable our Group to supply IBS components to external customers in the future.

The IBS components are used in our own construction activities and since the commencement of our Group's IBS operations, we have not supplied our IBS components to external customers. The IBS components that we produce in our casting yards include beams (i.e. parapet beam), floor slabs (i.e. staircases, landing slabs, and steps and half slabs) and exterior and interior wall panels (i.e. panel walls and parapet walls).



Wall panels

7. BUSINESS OVERVIEW (*Cont'd*)



Beams



Floor slabs

With the precast concrete system IBS construction technique, a building is constructed by positioning and assembling the prefabricated IBS components. The benefits that can be achieved using the IBS construction technique include the following:

- higher quality of construction work done as IBS components are manufactured in a controlled environment using factory standard production techniques and procedures. Processes are subject to quality control standards, and inspection is easier to be carried out under these conditions as compared to inspection at construction site;
- shorter construction time as IBS components are mass produced in a factory or casting yard before being transported to construction site for assembly and finishing. This contrasts against conventional method of laying brick-by-brick for walls, and casting reinforced concrete beams and floor slabs at the site, and waiting for them to harden;
- IBS components can be manufactured and prepared ahead of time for transportation to the construction site. This allows for proper planning of construction works, thus reducing overall construction time;
- fewer workers are required at construction site as workers are only required to position and assemble the IBS components, thus contributing towards reduced costs and improved work site safety; and

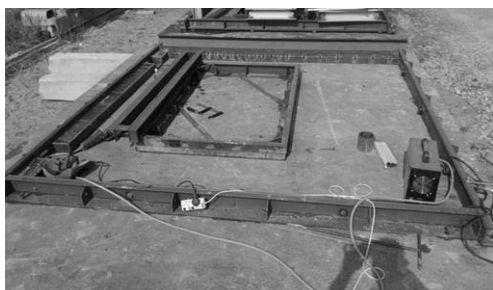
7. BUSINESS OVERVIEW (Cont'd)

- safer, cleaner and more organised work site through the use of IBS components resulting in less building materials, machinery and equipment at construction site.

7.4.1 Manufacturing process

The general process flow for the manufacturing of IBS components is as follows:

(a) Formwork and framework assembly



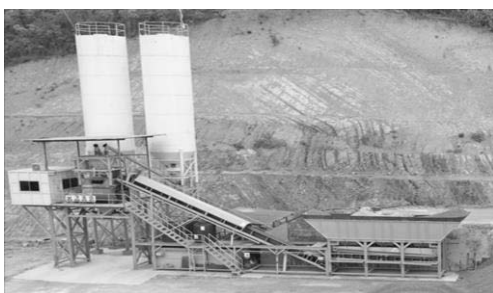
Assembly of formwork on the casting table



Assembly of framework within the formwork

The formwork is assembled on the casting table and secured together in accordance to the shape of the IBS components required. The construction element's framework is assembled within the formwork. The framework consists of steel bars and/or wire mesh, which are secured together by welding or tying. Grouting channels and service conduits for plumbing, wires and cables that are required for the construction element are also installed into the framework at this stage.

(b) Production of ready-mixed concrete



Our batching plant

Meanwhile, cement, aggregates, sand and water are mixed in the required quantities at our batching plant to produce ready-mixed concrete.

(c) Concrete hardening and formation of IBS components

The ready-mixed concrete is then poured into the formwork, and left to harden.



Removal of formwork (i.e. IBS component) for storage

The formwork is disassembled and removed from the precast concrete system after the hardening process is completed, forming the end product namely the IBS components.

The individual IBS component is inspected as part of our quality control procedures, and any defects that are detected will be rectified.

7. BUSINESS OVERVIEW (Cont'd)

Further details on the quality control procedures undertaken for our IBS components are as set out in Section 7.12.2. IBS components that have passed our quality control test will be stored at the storage area and subsequently transported to project sites in accordance to the delivery schedule.

As our Group's IBS components are manufactured for our own projects, the production and inventory are planned according to individual project needs which are dependent on factors such as type and volume required, daily manufacturing capacity, construction progress, delivery schedule and inventory space available. Our Group may store up to 3 months of inventory depending on construction requirements.

7.4.2 Manufacturing capacity of our IBS casting yards

We have 2 casting yards, located in Tuaran and Kinarut, Sabah, respectively to manufacture IBS components. The manufacturing activities of our IBS casting yards are determined by our Group's project needs as we do not mass produce and supply IBS components to external customers. In FYE 2020 to 2023, we were operating from our casting yard in Tuaran, whereas our casting yard in Kinarut was not in operations as the supply of IBS components to its allocated project sites has been completed.

The manufacturing of IBS components is customised according to the respective project needs such as the type of IBS components (i.e. beams, floor slabs and wall panels) and quantity required. Notwithstanding that the actual manufacturing volume is subject to our project needs and the type of IBS components required, the calculation of estimated annual manufacturing capacity is derived based on the maximum number of IBS components moulds that we have allocated for the year for the manufacturing of IBS components for our projects. While some moulds can be reused for other projects with similar structure of IBS components used, some moulds cannot be reused and are generally not needed towards the end of a particular project. Nevertheless, our Group are able to modify these moulds to cater to the needs of new projects, as and when required.

The estimated annual manufacturing capacity, actual manufacturing volume and utilisation rate of our casting yard for the past 4 FYE 2020 to 2023 are as set out below:

	Tuaran casting yard			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Number of manufacturing line (units) ⁽¹⁾	1	2	2	2
Estimated annual manufacturing capacity (m ³) ⁽²⁾	14,196	29,172	29,172	29,172
Actual manufacturing volume (m ³) ⁽³⁾	3,965	9,259	8,319	7,125
Utilisation rate (%) ⁽⁴⁾	27.9	31.7	28.5	(5)24.4

Notes:

- (1) Each manufacturing line can be installed with different type of moulds to cater to the type of IBS components required. The volume of each mould, measured in m³, vary from one to another due to the different shapes and sizes of the IBS components (e.g. beams, floor slabs and wall panels) and as such, an average volume of 0.5 m³ per IBS component is used to estimate the annual manufacturing capacity.

7. BUSINESS OVERVIEW (Cont'd)

- (2) The estimated annual manufacturing capacity of IBS components, measured in m³, for FYE 2020 to 2023 is calculated based on the following assumptions:
- For FYE 2020, we had 1 manufacturing line for the manufacturing of IBS components. We allocated 91 IBS component moulds to cater to the production of 3 terrace houses in a day. Based on 26 working days per month and 12 working months per year, we were able to manufacture 28,392 IBS components in a year. With an average volume of 0.5 m³ per IBS component, our estimated annual manufacturing capacity of IBS components for FYE 2020 was estimated at 14,196 m³.
 - FYE 2021 to 2023 we had 2 manufacturing lines for the manufacturing of IBS components. We allocated 105 IBS component moulds to cater to the production of 3 terrace houses and 82 IBS components moulds to cater to the production of 2 apartment units in a day. Based on 26 working days per month and 12 working months per year, we were able to manufacture 58,344 IBS components in a year. With an average volume of 0.5 m³ per IBS component, our estimated annual manufacturing capacity of IBS components for FYE 2021 to 2023 was estimated at 29,172 m³.
- (3) The actual manufacturing volume for IBS components is the actual volume, in m³, of IBS components that we manufactured in FYE 2020 to 2023.
- (4) The utilisation rate is calculated by dividing the actual manufacturing volume by the estimated annual manufacturing capacity.
- (5) The reason for decrease in our Group's utilisation of casting yard in Tuaran for FYE 2023 was due to the lower number of projects that commenced construction works after the second half of FYE 2022.

For the avoidance of doubt, it is to be noted that IBS components form part of a building structure and as such, the casting of IBS components takes place at the earlier stage of a project in order to ensure that IBS components are available for installation after the completion of ground works.

The projects that commenced construction works prior to the second half of FYE 2022 comprise Taman Seri Lemawang Phase 1E, 1F, 1G, 1H and 1I, Residensi Seri Akasia Block A, B and C, and Taman Bukit Alamanda, which collectively amounted to 773 units. The projects that commenced construction works after the second half of FYE 2022 comprise Residensi Seri Akasia Block D, E and F which collectively amounted to 240 units.

Given that relatively lower number of units were required to be casted in FYE 2023, the utilisation of the casting yard in Tuaran for FYE 2023 thus recorded a decrease.

In FYE 2020, FYE 2021, FYE 2022 and FYE 2023, the utilisation rate of our casting yard in Tuaran was recorded at 27.9%, 31.7%, 28.5% and 24.4%, respectively. The lower utilisation rate is based on the calculation of estimated annual manufacturing capacity using the maximum number of moulds allocated for the year, with the assumption that all moulds will be used daily, as this is theoretically the maximum capacity per day, which may be achieved during peak construction periods. However, in actual practice, we may not use all moulds on a daily basis as the utilisation of moulds is dependent on project needs from time to time.

7. BUSINESS OVERVIEW (Cont'd)

Further, the lower utilisation rate was also a result of the COVID-19 pandemic which had caused temporary disruptions to our casting yard activities. Nevertheless, there were no delays in the delivery of IBS components to our project sites and no delays on the delivery of our projects. Our Group's ability to complete our projects on time despite the disruptions to operations during the pandemic had demonstrated that the adoption of IBS construction technique is able to shorten construction times.

We presently use conventional construction methods to construct parking podiums. Hence, by introducing the production of hollow core slab using IBS, we will be able to expedite the process and duration for the construction of parking podiums as well as reduce the dependency on on-site labour. Together with the IBS components that we currently produce, the production of hollow core slabs will collectively contribute to shorter overall construction time for our projects, thus underpinning our Group's future plan to invest in a new IBS production line to produce hollow core slabs to supplement our existing range of IBS components manufactured. An expanded IBS production line will not only widen the range of our IBS components, but also increase the maximum daily production output, which will also shorten construction time for our projects. Further details on our new IBS production line are as set out in Section 7.17.3.

Despite that our casting yard in Kinarut is not in operations in the FYE 2020 to 2023 and as at LPD, the casting yard is able to achieve an estimated annual manufacturing capacity of 48,360 IBS components or 24,180 m³ in a year, estimated based on the manufacturing capacity in 2019 when our casting yard was in operations. Our estimated annual manufacturing capacity of 48,360 IBS components or 24,180 m³ in a year was derived based on 3 IBS manufacturing lines, a total of 155 IBS component moulds allocated in 2019 to cater to the production of 6 terrace houses in a day, 26 working days per month and 12 working months per year, as well as an average volume of 0.5 m³ per IBS component.

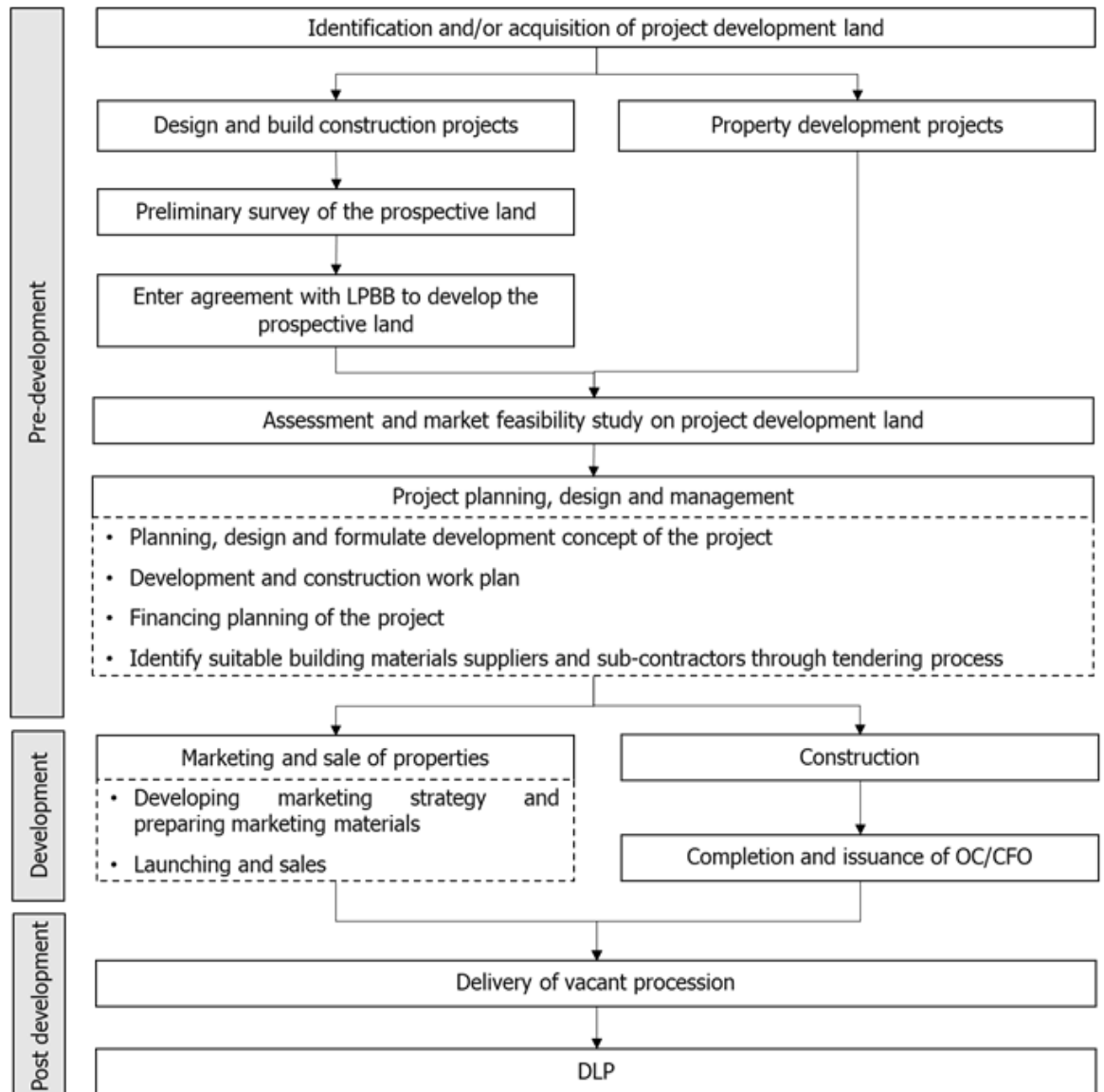
As our Group manufactures our own IBS components, we do not purchase IBS components from external parties for our construction activities.

The rest of this page is intentionally left blank

7. BUSINESS OVERVIEW (Cont'd)

7.5 BUSINESS PROCESS

The general process flow for our design and build construction services and property development activities are as follows:



7. BUSINESS OVERVIEW (Cont'd)

(a) Identification and/or acquisition of project development land

For property development projects undertaken as a design and build contractor for LPPB, our Group secures projects from LPPB by tender, and bids through the submission of the Technical and Financial Proposal to LPPB. LPPB publishes tender invitations on its official website which includes the details and types of lands available for development. We will conduct a preliminary survey on the prospective land and respond to the tender invitation in the event that our Group has the intention and resources to develop the prospective land, by submitting our proposal to LPPB for their consideration. Upon entering into an agreement with LPPB to develop the prospective land as a design and build contractor, we will conduct a more in-depth site assessment and market feasibility study on the proposed development land as follows:

- a feasibility study to evaluate the attractiveness and commercial viability of the proposed property development project. Various aspects are considered, including the prospects of the selected location and market demand for the types of properties that we plan to develop, our intended pricing levels for the properties, and building materials and construction costs;
- financial and cash flow analysis, which will be used as a gauge to determine the level of financing that we may require to carry out the proposed project; and
- market analysis and survey of prospective customers to assess take-up rate, population density in the area and target income groups. This analysis also involves conceptual planning to achieve optimal return from the project.

For our Group's own property development projects, we will identify suitable project development land through public and private sources, as well as through relevant government departments. We will enter into negotiation with the land owner and proceed with the legal processes of the land acquisition if we are interested in the land. Subject to the outcome of negotiation, our Group may also enter into joint-venture arrangement with the land owner to develop the prospective land. Following that, we will conduct in-depth assessment and market feasibility study as mentioned above for our own property development projects.

(b) Project planning, design and management

We are involved in the planning and design of the property development for both property development projects for LPPB and our own property development. We will formulate the development concept of the project by outlining general ideas such as project density and type of property (e.g. terraced houses, low-rise apartments, high-rise condominiums and/or civil servants housing) that will be developed on the land.

We will identify and engage external project consultants to support us to carry out the development and construction of the proposed project, such as engineering consultants for civil, mechanical and structural works; architects, surveyors and town planners in order to refine the development concept of the land and building in terms of, amongst others, main entrance, building sizes and layout, unit sizes and layout, common facilities, landscaping and infrastructure prior to the commencement of construction works.

7. BUSINESS OVERVIEW (Cont'd)

Our external project consultants will also prepare the building, structural, infrastructure and layout plans to be submitted to the relevant local authorities for approval, while our Group submits the applications for licences and permits to the relevant local authorities. Upon obtaining the relevant approvals, licenses and permits, we evaluate and examine all project components (e.g. interior and exterior building materials) to be used in construction activities based on the type of property development and develop a detailed construction work plan which will be used to prepare the following:

- project budget;
- construction schedule; and
- building materials, subcontracted services and procurement schedule.

Thereafter, we will develop the financing plan for the proposed development comprising sources of financing and the timeline to gather the required budget. Building materials suppliers and subcontractors are also identified and invited to submit tenders for the project. The tender applications are evaluated, and the successful suppliers are appointed to supply their products and/or services to the project to commence construction works.

Construction

We have our in-house construction team to carry out main building works, in which we employ a combination of conventional construction technique (e.g. brickworks and timber formwork) and IBS construction technique (i.e. precast concrete system) for our construction works, depending on the type of property development project. IBS components that are used in our construction activities are manufactured in-house and are further detailed in Section 7.4.

As and when required, our Group may outsource certain construction works to subcontractors as set out in Section 7.3.1.1. Our Group also engages subcontractors to carry out other aspects of construction works which our Group does not provide, such as groundworks and car park construction, metal and roofing works, interior aluminium and window works, painting and ceiling work, piling works, M&E works, sewerage works, tilling works, substation works and landscaping works.

As the main contractor for all our construction activities, we will constantly monitor project costs, progress and quality to ensure that all construction works are progressing within our planned schedule and budget. Progress reports on the construction works done and progressive billings will be issued in stages to financial institutions for the construction work completed in order to receive sales proceeds. At the same time, progressive payments are paid to building materials suppliers and subcontractors.

Marketing and sale of properties

For our Group's own property projects, we will submit an application to apply for the APDL to advertise and sell our projects. Upon obtaining the ADPL, we will launch the project for sale to the public through mass media advertising. For property development projects undertaken as a design and build contractor for LPPB, LPPB being the developer of the project is exempted from the regulation to apply for the APDL to advertise and sell the projects.

The marketing and sales activities for the property development project will start at the same time as construction works, and they will be carried out concurrently.

7. BUSINESS OVERVIEW (Cont'd)

Project completion

When the construction works have been completed, our Group will proceed to procure the issuance of OC/CFO from the relevant authority. Our customers will be informed to receive vacant possession of their property. The customer is invited to conduct a final inspection of the property, and any defects are marked up for us to perform the required rectification works. Customers are required to finalise and make payments for any outstanding bills related to property titles, amenities and other payments before the property is released, and the OC/CFO is issued to them.

We will be responsible for the building repairs if any defect is found during the defect liability period as specified in the sale and purchase agreement, which lasts for 18 months from the date when vacant possession is delivered to buyers.

As we engage subcontractors to carry out certain portions of the construction works, our subcontractors will be responsible to rectify any defects found on their part of the work done. Any costs incurred by our Group to rectify the defects on the subcontracted construction works within the defect liability period will be charged back to our subcontractors.

7.5.1 Interruption to business and operations

Save for the interruption to our business and operations arising from the COVID-19 pandemic as disclosed below, we did not experience any other interruptions to our operations which had a significant effect on our business in the past 12 months up until LPD.

Impact of COVID-19 on the operations at our headquarters, sales galleries and IBS casting yard

Pursuant to the outbreak of the COVID-19 pandemic in 2020, the Government had implemented different forms of MCO from 18 March 2020 to 31 March 2022 to contain the spread of the virus. During this period, our Group was required to comply with the changes in SOP (e.g. reduced workforce capacity) outlined by MITI throughout the period. The reduction in workforce capacity, as per MITI's SOP during these periods, did not result in material adverse impact to our business and operations at our headquarters, sales galleries and IBS casting yard. Since December 2021, we have been operating at full workforce capacity after 80.0% of our employees obtained 2 doses of vaccination, as outlined by MITI.

In addition, there were no major disruptions in the procurement of supplies, or disruptions / delays in logistics which resulted in shortages of supplies to carry out the operations at our IBS casting yard since March 2020. Despite the temporary disruption to our casting yard activities, there were no delays in the delivery of IBS components to our project sites and no delays on the delivery of our projects. Further, our Group's ability to complete our projects on time despite the disruptions to operations during the pandemic had demonstrated that the adoption of IBS construction technique is able to shorten construction times.

Beginning 1 April 2022, Malaysia entered into the "Transition to Endemic" phase. Among the relaxed rules and SOP include the abolishment of restrictions on business operating hours (i.e. business owners are allowed to set the hours of operation according to the terms of their business licence) and the abolishment of limits on the number of personnel allowed in workplace. The operations at our headquarters, sales galleries and IBS casting yards were not impacted by the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

7. BUSINESS OVERVIEW (Cont'd)

Impact of COVID-19 on our construction activities and the delivery of our projects

The temporary disruptions to the construction activities at our project sites as well as the reduction in workforce capacity, as per MITI's SOP during these periods, did not result in material adverse impact to the operations at our construction sites as well as on the delivery of our projects. As such, our Group did not encounter any delays in the delivery of vacant possessions to buyers which have had buyers initiating LAD claims against our Group.

In addition, there were no major disruptions in the procurement of supplies, or disruptions / delays in logistics which resulted in shortages of supplies to carry out construction activities, as well as disruptions to our subcontracted services since March 2020.

Since December 2021, we have been operating at full workforce capacity after 80.0% of our employees and foreign workers obtained 2 doses of vaccination, as outlined by MITI.

There was no material impact to the construction activities at our project sites, receipt of supplies and subcontracted services upon the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

Strategy and steps taken to address the impact of COVID-19 pandemic

In response to the COVID-19 pandemic, our Group has established a standard safety protocol that outlines several infection control measures based on the guidelines and SOP issued by MITI from time to time to protect employees and customers against COVID-19 infection. Since the outbreak of the COVID-19 pandemic and up to the LPD, there have been no actions taken or penalties issued by the relevant authorities for breach of any laws relating to COVID-19 restrictions and/or SOPs.

7.6 PRINCIPAL MARKETS BY BUSINESS SEGMENTS

For FYE 2020 to 2023, our Group's revenue was derived from our business activities in Sabah, Malaysia. The table below sets out our Group's revenue segmentation by type of development projects for FYE 2020 to 2023:

	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(a) Provision of design and build construction services to LPPB								
On-going developments								
Taman Seri Lemawang Phase 1A	8,328	9.2	⁽¹⁾ (110)	(0.1)	768	0.7	-	-
Taman Seri Lemawang Phase 1B ⁽²⁾	13,671	15.2	2,068	2.1	320	0.3	-	-
Taman Seri Lemawang Phase 1C	16,087	17.8	6,870	6.9	2,149	1.9	-	-
Taman Seri Lemawang Phase 1D	7,383	8.2	17,297	17.6	5,046	4.5	2,595	2.1
Taman Seri Lemawang Phase 1E	-	-	-	-	3,543	3.1	25,311	21.1
Taman Seri Lemawang Phase 1F	149	0.2	9,689	9.8	6,619	5.9	264	0.2
Taman Seri Lemawang Phase 1G	38	*	13,495	13.7	11,856	10.5	6,934	5.8
Taman Seri Lemawang Phase 1H	-	-	73	0.1	21,343	18.9	11,323	9.4
Taman Seri Lemawang Phase 1I	-	-	-	-	6,011	5.3	5,198	4.3
Plaza Seri Lemawang	-	-	3,650	3.7	5,710	5.1	-	-
Plaza Lemawang 2	-	-	-	-	-	-	96	0.1
Residensi Seri Akasia (Block A and B)	-	-	8,538	8.7	13,605	12.1	6,483	5.4
Residensi Seri Akasia (Block C and D)	-	-	-	-	860	0.8	15,835	13.2
Taman Bukit Alamanda	-	-	-	-	15,490	13.7	18,127	15.1

7. BUSINESS OVERVIEW (Cont'd)

	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Puncak Gloxinia Phase 2 – Block D ⁽²⁾	13,299	14.8	-	-	-	-	-	-
Puncak Gloxinia Phase 2 – Block E ⁽²⁾	8,088	9.0	-	-	-	-	-	-
Puncak Gloxinia Phase 2 – Block F ⁽²⁾	12,823	14.2	-	-	-	-	-	-
Total on-going developments	79,866	88.6	61,570	62.5	93,320	82.7	92,166	76.7
Completed properties								
Taman Nelly 8D	714	0.8	119	0.1	110	0.1	110	0.1
Taman Kota Phase 2A	188	0.2	-	-	-	-	-	-
Taman La Gloxinia Phase 1	480	0.5	-	-	-	-	-	-
Taman Seri Lemawang Phase 1B ⁽³⁾	-	-	-	-	255	0.2	-	-
Puncak Gloxinia Phase 1 – Block A	996	1.1	337	0.3	-	-	-	-
Puncak Gloxinia Phase 1 – Block B	1,011	1.1	⁽¹⁾ (24)	*	*	*	-	-
Puncak Gloxinia Phase 1 – Block C	296	0.3	-	-	-	-	-	-
Puncak Gloxinia Phase 2 – Block D ⁽³⁾	3,672	4.1	17,472	17.7	577	0.5	-	-
Puncak Gloxinia Phase 2 – Block E ⁽³⁾	1,419	1.6	12,789	13.0	1,211	1.1	-	-
Puncak Gloxinia Phase 2 – Block F ⁽³⁾	1,551	1.7	6,255	6.4	-	-	-	-
Plaza Seri Lemawang	-	-	-	-	-	-	1,806	1.5
Total completed properties	10,327	11.4	36,948	37.5	2,153	1.9	1,916	1.6
Land held for property development								
Taman Lavender Land	-	-	-	-	-	-	6,714	5.6
(b) Own property development								
On-going developments								
Parkhill	-	-	-	-	13,026	11.5	10,095	8.4
Shorea ⁿ Astoria	-	-	-	-	4,381	3.9	9,276	7.7
Total on-going developments	-	-	-	-	17,407	15.4	19,371	16.1
Grand total	90,193	100.0	98,518	100.0	112,880	100.0	120,167	100.0

Notes:

* Less than 0.1%

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

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

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

Our Group's revenue was mainly derived from our on-going developments, which accounted for 88.6%, 62.5%, 98.1% and 92.8% of our Group's revenue in FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

7. BUSINESS OVERVIEW (Cont'd)

7.7 COMPETITIVE STRENGTHS

7.7.1 We have a well-established history of 40 years and a proven track record as a property developer

We have a well-established history and track record of 40 years since the commencement of our business operations in 1984. Our capabilities and expertise spans across property development activities and construction activities, thus giving us the competitive advantage to manage our operations. Our proven track record as a property developer has provided the confidence to LPPB to collaborate with our Group in which we have been providing design and build construction services to LPPB since 2010.

The benefits and advantages that our Group derives from our proven track record includes the following:

- our reputation in the property market and construction industry over the past 40 years translates into market visibility and brand awareness to attract prospective buyers for the properties that we develop;
- our in-depth experience as a property developer is expected to provide prospective buyers with confidence in our ability to complete and deliver our properties; and
- our track record provides prospective partners with assurance that we are able to successfully complete design and build construction projects and joint venture projects.

Our property development capabilities allow us to have better control on all aspects of the development of our design and build construction projects and property development projects.

7.7.2 We have extensive experience in the provision of design and build construction services

With the expertise and industry experience that our Group has gained over the years since 1984, we began collaborating with LPPB in 2010 whereby we provided design and build construction services to LPPB for the construction of a housing project in Taman Wawasan, Beaufort, Sabah. Since then, we have been actively involved in the provision of design and build construction services to LPPB, focusing in the development of residential property projects for the general public and civil servants housing projects (i.e. PPAM) in Sabah. This is also part of our Group's effort to support LPPB's initiative in providing affordable housing in Sabah.

In the provision of design and build construction services to LPPB, our Group is involved in all aspects of property development activities comprising site assessment and market feasibility study, project design, submission of building plans to relevant authorities, securing financing, construction, sales and marketing of the projects, delivery of vacant possession to end buyers and property management. With this, our ability to gain LPPB's confidence over the years since 2010 demonstrates our Group's capability and extensive experience in the provision of design and build construction services.

Our expertise, resources and capabilities to complete multiple design and build construction projects over the past 14 years with LPPB has given LPPB the confidence to continue collaborating with our Group, which is further evidenced by the future design and build construction projects that we have successfully secured with LPPB as at LPD. Further details on our design and build construction projects with LPPB are as set out in Section 7.3.1.1.

7. BUSINESS OVERVIEW (Cont'd)

7.7.3 We manufacture IBS components and adopt IBS construction technique in our construction activities to optimise our project efficiencies and manage our construction cost

Our Group has 25 years of experience in adopting IBS construction technique in our construction activities. Our experience and expertise that stretches across construction activities and IBS components manufacturing enables us to better understand the practical challenges in construction processes and design a more efficient construction methodology, including the appropriate use of IBS components and proper production planning to manage our overall construction cost.

Further, the adoption of IBS construction technique enables our Group to keep construction sites clear and safe as IBS components are manufactured at an off-site location, shorten construction time, and produce higher quality of construction work done. Site storage is also eliminated as IBS components can be stored at our casting yard and delivered 'just-in-time' to construction site. Further details on the benefits derived from the adoption of IBS construction technique is set out in Section 7.4.

7.7.4 We have an experienced and hands-on key management team

We have an experienced key management team headed by Loke Theen Fatt, our Managing Director / Chief Executive Officer and our Executive Directors, Stella Loke Pei Wen and Wilson Loke Choon Syn who respectively have approximately 46 years, 13 years and 12 years of relevant experience in the property development and construction industries.

They are supported by other members of our key management team, which include:

- Abdullah Azlan Bin Khalid, our Chief Operating Officer, who has 40 years of experience in property development and construction;
- Chaw Ken Vun, our Chief Financial Officer, who has 28 years of experience in the field of finance and accounting; and
- Loke Pei Lee, our Director of Management, who has 12 years of management experience with human resources and administration, as well as property management.

Our management team has strong industry and functional expertise as a result of years of experience in their respective fields. The profiles of our Managing Director / Chief Executive Officer, Executive Directors and key senior management are set out in Sections 5.1.2 and 5.3.3 respectively. Further, they take an active, hands-on role in spearheading their respective departments to support the growth of our Group. As a result, there is a transfer of skills and knowledge to employees at all levels in our organisational structure. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand.

7.8 SEASONALITY AND CYCLICAL EFFECTS

We are not subject to any seasonality or cyclical effects. Nevertheless, we generally experience higher sales volume when new projects are launched.

7. BUSINESS OVERVIEW (Cont'd)

7.9 TYPES AND SOURCES OF INPUT MATERIALS AND SERVICES

The table below sets out the major types of input materials and services that we purchase for our business operations for FYE 2020 to 2023:

Category	Source	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%
Construction materials									
Concrete and related products ⁽¹⁾	Local	2,972	3.5	2,570	3.5	5,135	4.7	6,489	4.6
Hardware and related products ⁽²⁾	Local	1,886	2.2	2,419	3.3	3,253	3.0	3,439	2.5
Steel products ⁽³⁾	Local	2,735	3.2	660	0.9	3,513	3.2	6,822	4.9
Interior fittings ⁽⁴⁾	Local	646	0.7	337	0.5	905	0.8	1,302	0.9
Total construction materials		8,239	9.6	5,986	8.2	12,806	11.7	18,052	12.9
Subcontracted services									
Groundworks and building work ⁽⁵⁾	Local	32,559	37.9	25,873	35.3	51,435	47.0	54,423	38.9
Interior fit-out ⁽⁶⁾	Local	3,165	3.7	2,217	3.0	4,381	4.0	5,924	4.2
Road and drainage works ⁽⁷⁾	Local	4,607	5.3	6,111	8.3	7,804	7.1	9,465	6.8
Other services ⁽⁸⁾	Local	9,690	11.2	5,595	7.6	11,643	10.6	16,077	11.5
Total subcontracted services		50,021	58.1	39,796	54.2	75,263	68.7	85,889	61.4
Preliminaries ⁽⁹⁾	Local	27,840	32.3	27,634	37.6	21,396	19.6	36,049	25.7
Total purchases		86,100	100.0	73,416	100.0	109,465	100.0	139,990	100.0

Notes:

- (1) Comprise aggregates and crusher run, piles, ready-mix, river sand, and cement.
- (2) Comprise fuel and lubricant, mix hardware, water tank and metal roofing.
- (3) Comprise high tensile deformed steel bars and reinforced wire mesh.
- (4) Comprise purchases of sanitary wares, tiles and doors.
- (5) Comprise services to carry out groundworks and carpark construction and pilling works.
- (6) Comprise services to carry out interior aluminium and window works, painting and ceiling works and tiling works.
- (7) Comprise services to carry out drainage and roadworks, plumbing, sewerage and pipe works.
- (8) Comprise services to carry out M&E works, lift and firefighting systems, metal and roofing works and substation works and landscaping works.

7. BUSINESS OVERVIEW (Cont'd)

- ⁽⁹⁾ Comprise site management cost, hiring machinery and equipment, utilities, depreciation and other related projects maintenance and overhead expenses.

Our construction materials and subcontracted services are sourced locally. Save for cement, our construction materials are generally readily available, as we are able to source these materials from multiple suppliers. Hence, in the event when the demand for cement exceeds supply, we may face a temporary shortage of cement due to the limited cement manufacturers available in Sabah. We maintain an inventory of cement in our silo and an inventory of precast IBS components to mitigate situations of cement shortage. We have not faced any material shortage of cement during FYE 2020 to 2023.

The prices of steel products were subjected to price fluctuations during FYE 2020 to 2023 as a result of global supply and demand conditions. Further, the prices of aggregates and crusher run, piles, ready-mix and cement were subjected to price fluctuations during FYE 2020 to 2023 as a result of domestic supply and demand conditions. Please refer to Section 9.1.8 for further details of the risk of price fluctuations which we face.

7.10 SALES AND MARKETING

We have a dedicated sales and marketing team, based at our headquarters, to undertake sales and marketing activities for our design and build construction projects and property development projects. Our sales and marketing team is also involved in determining the marketing strategies of the proposed development projects, taking into consideration future supply and demand, market segment and product marketability. Following that, our sales and marketing team will implement the marketing strategies, which involve the preparation of sales and marketing materials and kits, selling and marketing of the properties at our showrooms, and engagement with external property agencies. Our sales and marketing team also secures new sales by engaging prospective buyers directly through emails and phone calls as well as with walk-in customers.

We deploy the following mediums to market our design and build construction projects and property development projects:

(a) Sales gallery showcase

We set up sales galleries to showcase different types of unit layout for selected design and build construction projects and property development projects (e.g. larger development projects with higher GDV) to provide prospective buyers with an actual experience on the size and design of the units. With this, prospective buyers are able to have a first-hand experience of the property unit that they will be purchasing to aid in their decision making. Within our sales gallery, we also set up an architectural model of the particular project to provide prospective buyers an overall view of the entire development.

We also distribute brochures for all our design and build construction projects and property development projects to prospective buyers to provide further information on our property and the surrounding infrastructure and amenities to promote the attractiveness of our development.

7. BUSINESS OVERVIEW (Cont'd)

Subsequent to the COVID-19 pandemic, we further enhanced our marketing efforts to include digital platforms to market our projects as well as to promote sales, whereby we utilise sales gallery virtual tour with 360-degree aerial view and walkthrough for our property development projects namely The Logg, Taman Seri Lemawang and Residensi Seri Akasia. Through these digital platforms we are able to extend our market outreach and secure sales lead from prospective buyers. Further details on the technology used for our virtual sales gallery are as set out in Section 7.11.

(b) Property expositions and roadshows

We participate in property exhibitions and roadshows relating to the property market. We believe that the participation in these trade exhibitions and roadshows enhances our brand visibility as it enables us to showcase our design and build construction projects and property development projects. Additionally, such participation also provides us with significant opportunities to meet prospective buyers, and stay updated on the market demand for residential and commercial properties.

Following the imposition of lockdown measures resulting from the COVID-19 pandemic in 2020, our Group had temporarily suspended our participation in physical property exhibitions and roadshows in 2020 and 2021. Notwithstanding that, as Malaysia has entered into the "Transition of Endemic" phase on 1 April 2022, with relaxed rules and SOPs imposed by the Government, our Group has resumed the participation of physical property exhibitions and roadshows held by third party organisers in Sabah.

The following sets out the property expositions that our Group has participated in FYE 2022, FYE 2023 and up to LPD:

<u>Date</u>	<u>Event name</u>	<u>Location</u>	<u>Organiser</u>
March 2022	Property Hunter Expo 2022	Sabah International Convention Centre	Maxx Media (S) Sdn Bhd
July 2022	Property Hunter Expo Tawau 2022	Dewan Calvary	Maxx Media (S) Sdn Bhd
March 2023	Property Hunter Expo 2023	Sabah International Convention Centre	Maxx Media (S) Sdn Bhd
August – September 2023	SHAREDA PropEx 2023	Sabah International Convention Centre	Sabah Housing and Real Estate Developers Association
March 2024	Property Hunter Expo 2024	Sabah International Convention Centre	The Big G Sdn Bhd

From time to time, our Group will also internally organise or participate in roadshows and events to showcase our projects.

(c) Digital and media advertising

We understand that the Internet is an important advertising medium, and the current widespread use of the Internet as a source of information will potentially enhance our market reach and exposure.

Our Group's corporate website, <http://www.ktilandmark.com.my/>, provides immediate searchable information on our Group which includes detailed information of our completed, on-going and upcoming projects.

7. BUSINESS OVERVIEW (Cont'd)

We leveraged on social media platforms to promote and engage with prospective buyers for on-going projects, such as Taman Seri Lemawang, Taman Bukit Alamada, Residensi Seri Akasia, The Logg and Ayuria Place, through our respective Facebook accounts, "@Taman Seri Lemawang", "@Taman Bukit Alamanda", "@Residensi Seri Akasia", "@The Logg" and "@Ayuria Place". We also leveraged on Youtube channel to market selected property projects such as The Logg to further enhance our market outreach.

In addition, we also advertise our design and build construction projects and property development projects through established digital news medium (i.e. Daily Express) and radio advertisement (i.e. Kupu-Kupu FM).

(d) Outdoor media advertising

We utilise outdoor media advertising channel such as advertisement through static billboards, banner and bunting to advertise our design and build construction projects and property development projects.

(e) Property agencies

Our Group engages property agencies, as and when required, to market and sell our design and build construction projects and property development projects. Our Group typically appoints these property agencies on a contract basis. These property agencies will leverage on the marketing materials prepared by our Group to facilitate their sales and marketing activities. Subject to the type of property sold, property agencies are entitled to pre-agreed commission rates generally ranging from 1.5% to 3.0% of the property sales value for each successful sale. We may choose to increase the commission rates depending on the circumstances in order to encourage sales.

7.11 TECHNOLOGY USED

We use, and will continue to invest in, relevant technologies to improve our Group's operational efficiency, profitability and competitiveness. We utilise the following software to facilitate our sales and marketing activities as well as our development planning activities:

Technology / Software	Descriptions
Marketing and property management software	<p>A software that supports our sales and marketing activities whereby it comprises functions such as sales tracking, sales reporting, progress billing and the tracking of sales collections of the respective projects developed by our Group. The software also provides linkage to our panels of solicitors and financial institutions' platform to improve the flow and tracking of sales and payment status.</p> <p>In addition, the software also includes function for our Group to carry out the operations of our property management activities.</p>
Project planning software	<p>A software used for project planning and scheduling to ensure that all development projects are progressing in accordance with our Group's targeted schedule for the delivery of vacant possessions, as well as to monitor construction progress to avoid any delays.</p>

7. BUSINESS OVERVIEW (Cont'd)

Technology / Software	Descriptions
Modelling software	A software used to develop 2-dimensional model visualisation of building designs and structures to provide a 2-dimensional perspective of the building plan. The software is also used to view third party consultants drawing on the measurement of the building design, for discussion and enhancement purposes.
Virtual sales gallery	<p>A virtual tour software platform that enables users to navigate through the 3D spaces of our show units and experience a holistic overview of the 3D spaces with dollhouse view feature.</p> <p>The platform functions by converting 360-degree panoramic images of our show units into a virtual 3D model. This converted form of virtual 3D model allows users to virtually walkthrough our physical show units, thereby reducing travel concerns and geographic restrictions of potential end buyers.</p> <p>This platform is also able to capture a 360-degree aerial view from our project site which allows users to view the surrounding environment of the project site, including accessibility, infrastructure and amenities within the neighbourhood.</p>

7.12 QUALITY ASSURANCE MANAGEMENT

7.12.1 Design and build construction activities and property development

We place emphasis on developing quality properties for our buyers. In order to maintain our quality standards, we implement strict quality assurance procedures at various stages of our design and build construction projects and property development projects as follows:

- (a) selection and appointment of experienced and reliable professional consultants, subcontractors and building materials suppliers through a robust selection process that will evaluate these potential professional consultants, subcontractors and building materials suppliers against our criteria such as track record, financial stability, quality, pricing and timeliness;
- (b) careful evaluation of architectural design concepts in line with current market trends;
- (c) close supervision of the construction progress and project timeline;
- (d) quality and safety assessments carried out on project site on a daily and monthly basis; and
- (e) stringent requirements on craftsmanship and interior fittings.

As part of our continuous efforts in ensuring quality products, we carefully select suitable, proven and good quality construction materials for our design and build construction projects and property development projects. The types, brands and quality of construction materials to be used for project construction will be detailed in our tender document as our requirements to subcontractors and building materials suppliers. For subcontracted services, sourcing of the building materials will be undertaken by our subcontractors.

7. BUSINESS OVERVIEW (Cont'd)

We also implement rigorous controls during construction stage. Samples and test reports are reviewed and analysed prior to approving the commencement of any physical construction work. Quality control inspection will also be carried out on the building materials received. Where required, mock-ups are first installed and inspected before any full installation is allowed. Site inspections are carried out on a daily basis to ensure that the expected level of construction quality is met, and we convene meetings with representatives from our team of professional consultants and subcontractors on monthly basis to keep abreast of the progress of the project as well as to resolve any issues. We also keep abreast of the development of new and innovative construction materials that we can utilise in our design and build construction projects and property development projects, which may be of better aesthetic and performance quality.

Our Group's adherence to strict quality assurance procedures is further attested by the certifications of compliance received by our Group as shown below:

Standard	Certification body	Date first awarded	Current validity period	Scope of certification
ISO 9001:2015 Quality Management Systems	BM Trada (Malaysia) Sdn Bhd	13 December 2000	31 December 2024	Provision of building construction services and sales of residential properties

Moving forward, to further endorse our workmanship quality based on industry standards, our Group plans to actively participate in QLASSIC assessments for our design and build construction projects and property development projects. QLASSIC is issued by CIDB and the QLASSIC assessments enable the quality of workmanship between projects to be objectively compared through a scoring system. For the QLASSIC assessment, the construction elements that need to be assessed are determined through a sampling and statistical approach. These samples are distributed evenly throughout the projects and the assessment samples are then selected from drawings and plans for the construction. QLASSIC covers 4 components of assessment, namely structural works, architectural works, M&E works, and external works and the weightages are allocated according to the different categories of buildings.

7.12.2 Manufacturing of IBS components

As we are involved in the manufacturing of IBS components, our Group places strong emphasis on the safety and quality of IBS components manufactured in our casting yards. We are committed to ensure that the safety and quality management system that we have put in place is in accordance to our construction site's requirements. We have adopted internal quality management assurance policies to ensure that our manufacturing processes and IBS components comply with the required quality and safety standards.

In order to ensure that the quality and safety of the manufactured IBS components, quality control procedures are incorporated into our manufacturing processes of IBS components as follows:

Objective	Criteria	Description
Quality control inspection in our IBS casting yard		
Quality control check on in-coming raw materials	Quantity and specification	Sample sizes of raw materials are collected from each batch of in-coming raw materials to undergo quality check to ensure the quantity and specification of the raw materials are in accordance with the delivery order.

7. BUSINESS OVERVIEW (Cont'd)

Objective	Criteria	Description
Quality control check on IBS component manufacturing processes	Pre-concreting panel inspection	Perform preliminary inspection on the assembled IBS component formwork and framework before concrete is poured into the formwork. It also involves inspection on the setup of the pipes used in channelling ready-mixed concrete into the formwork.
	Inspection on concrete work	Sample sizes of ready-mixed concrete are collected to undergo concrete cube test and slump test to ensure that the ready-mix concrete meets the required quality standards. Concrete cube test includes curing and crushing of ready-mixed concrete to measure the compressive strength of the ready-mixed concrete, while slump test measures the consistency of the ready-mixed concrete before it is poured into the IBS component formwork.
	Post-concrete work inspection	Sample sizes of manufactured IBS components undergo concrete compression test to measure the concrete strength of the manufactured IBS components once the IBS components have dried and harden.
	Quality control check on out-going material	Perform final round of visual inspection on the manufactured IBS components before delivering to project site.

Quality control inspection at project site

Quality control check on manufactured IBS components	Incoming material inspection	Inspections are carried out upon receiving the IBS components from our casting yard to ensure that the quantity, type and specification of the IBS components are in accordance with the project's requirement prior to the installation.
	Panel inspection	<ul style="list-style-type: none"> Perform inspection on the setup of gridline of the columns, beams, floor slabs, stairs, panels that is required for the assembly and installation of the IBS components. Perform inspection on the IBS components during assembly and installation to assess the structural integrity of the installed IBS components and to ensure the stability of the structure of the building.

7.13 OPERATING CAPACITY AND UTILISATION RATES

Due to the nature of our business as a property developer, the calculations of operating capacities and output are not applicable to our Group. Separately, our IBS manufacturing capacity which is currently for our internal use only is set out in Section 7.4.2.

7. BUSINESS OVERVIEW (Cont'd)

7.14 RESEARCH AND DEVELOPMENT

As our principal activities are focused on design and build construction services and property development activities, scientific and/or technical research and development is not relevant to our operations.

7.15 MAJOR CUSTOMERS

Due to the nature of our Group's business in property development, our customers are individual end buyers or companies who generally purchase one or a small number of units. We were not dependent on any single customer during FYE 2020 to 2023.

However, a majority of the projects which contributed to our Group's revenue during FYE 2020 to 2023 were design and build construction services contracts awarded by LPPB. In addition, on-going and future projects slated up to 2025 amounting to RM1.4 billion GDV are also projects awarded by/in participation with LPPB, save and except for Ayuria Place project, which is an acquisition of land from a third party, amounting RM74.0 million.

In this regard, our Group is dependent on LPPB to sustain our pipeline of projects. However, LPPB as the state property developer does not undertake development projects on its own. It therefore places reliance on existing property developers in Sabah to do so, and selects them through a tender process. Hence, our dependency on LPPB is mitigated as there is a mutual reliance on each other's strengths. Additionally, in support of our Group, LPPB had vide its letter dated 23 June 2023 recognised our Group as a significant contributor to the state's development, having completed projects amounting to approximately RM1.6 billion in GDV, equivalent to 29.0% of all LPPB's projects over the 5 years up to 2023, the balance of which were undertaken by various property developer companies in Sabah. In this regard, LPPB has acknowledged that our Group has been able to garner a significant market share due to our ability to deliver feasible and innovative development proposals that meet the states' requirements.

Our Sponsor is of the view that, notwithstanding the dependency on LPPB for our Group's project pipelines, our Group has made efforts to diversify our projects and will not be entirely dependent on LPPB for the foreseeable duration up to 2026, for example, our Ayuria Place project, which is not a LPPB project, is estimated at a total GDV of RM863.1 million. The Logg, which is estimated at approximately RM1.0 billion GDV, will wholly belong to our Group upon full payment of the LPPB's entitlements. In comparison, the on-going and future projects our Group is undertaking as design and build construction service provider to LPPB amounts to RM313.4 million. Nonetheless, our Group will continue bidding for tenders organised by LPPB as long as the project is feasible and profitable.

7.16 MAJOR SUPPLIERS

Our main suppliers primarily comprise building materials suppliers, subcontractors and professional consultants for civil, mechanical and structural works, architects, surveyors and town planners to assist in our development and construction activities. We also appoint property agencies to sell and market our properties.

7. BUSINESS OVERVIEW (Cont'd)

The appointment of subcontractors and professional consultants varies every year depending on the requirements of the projects. The appointment of subcontractors is conducted through tenders by invitation and the appointment of consultants are conducted through direct appointment. We select our building materials suppliers, subcontractors and consultants depending on the specific needs of the projects, and as such, we will assess the quality and pricing of the products and/or services supplied, financial strength and track record of the building materials suppliers, subcontractors and consultants, amongst others. The contribution towards the GDC from our building materials suppliers, subcontractors and consultants in each of FYE 2020, FYE 2021, FYE 2022 and FYE 2023 depends on the stages of completion of the respective projects and the amount of costs incurred with them in that particular financial year.

Our top 5 major suppliers for FYE 2020 to 2023 are as follows:

FYE 2020

No.	Supplier	Main products / Services sourced	Value of purchases in FYE 2020		Length of relationship as at FYE 2020 Years ⁽¹⁾
			RM'000	%	
1.	Sinohydro Corporation (M) Sdn Bhd	Subcontracted services for piling and basement construction works	21,324	25.3	2
2.	Teamcons Resources Sdn Bhd	Subcontracted services for M&E works	6,368	7.6	5
3.	Gasuka Engineering and Construction	Subcontracted services for architectural and drainage works	5,248	6.2	5
4.	MRR Precast Construction Sdn Bhd	Subcontracted services for IBS panel installations	4,158	4.9	3
5.	CAB Construction Sdn Bhd	Subcontracted services for structural and architectural works	2,935	3.5	6
Total value of purchases			40,033	47.5	

FYE 2021

No.	Supplier	Main products / Services sourced	Value of purchases in FYE 2021		Length of relationship as at FYE 2021 Years ⁽¹⁾
			RM'000	%	
1.	MRR Precast Construction Sdn Bhd	Subcontracted services for IBS panel installations	8,825	12.3	4
2.	Sinohydro Corporation (M) Sdn Bhd	Subcontracted services for piling and basement construction works	6,090	8.5	3
3.	Gasuka Engineering and Construction	Subcontracted services for architectural and drainage works	4,609	6.4	6

7. BUSINESS OVERVIEW (Cont'd)

No.	Supplier	Main products / Services sourced	Value of purchases in FYE 2021		Length of relationship as at FYE 2021 Years ⁽¹⁾
			RM'000	%	
4.	CAB Construction Sdn Bhd	Subcontracted services for structural and architectural works	4,111	5.8	7
5.	Teamcons Resources Sdn Bhd	Subcontracted services for M&E works	3,231	4.5	6
Total value of purchases			26,866	37.5	

FYE 2022

No.	Supplier	Main products / Services sourced	Value of purchases in FYE 2022		Length of relationship as at FYE 2022 Years ⁽¹⁾
			RM'000	%	
1.	MRR Precast Construction Sdn Bhd	Subcontracted services for IBS panel installations	22,102	22.3	5
2.	Viktori Holdings Sdn Bhd	Subcontracted services for floor slab works / IBS panel installations	14,665	14.8	1
3.	Sinohydro Corporation (M) Sdn Bhd	Subcontracted services for piling and basement construction works	12,190	12.3	4
4.	Teamcons Resources Sdn Bhd	Subcontracted services for M&E works	6,336	6.4	7
5.	Sing Yung Steel Sdn Bhd	Supply of steel bar	6,230	6.3	1
Total value of purchases			61,523	62.1	

FYE 2023

No.	Supplier	Main products / Services sourced	Value of purchases in FYE 2023		Length of relationship as at FYE 2023 Years ⁽¹⁾
			RM'000	%	
1.	Viktori Holdings Sdn Bhd	Subcontracted services for floor slab works / IBS panel installations	45,968	32.8	2
2.	MRR Precast Construction Sdn Bhd	Subcontracted services for IBS panel installations	12,683	9.1	6
3.	Teamcons Resources Sdn Bhd	Subcontracted services for M&E works	10,157	7.3	8
4.	Kiong Sing (Sabah) Sdn Bhd	Supply of steel bar and wire mesh	10,031	7.2	8

7. BUSINESS OVERVIEW (Cont'd)

No.	Supplier	Main products / Services sourced	Value of purchases in FYE 2023		Length of relationship as at FYE 2023 Years ⁽¹⁾
			RM'000	%	
5.	Expogaya Sdn Bhd	Supply of ready-mix concrete	8,900	6.4	8
Total value of purchases			87,739	62.8	

Note:

(1) The length of the relationship as at the respective financial year.

For the FYE 2020 to 2023, our purchases from our top 5 major suppliers accounted for 47.5%, 37.5%, 62.1% and 62.8% of our total purchase respectively.

We are not dependent on any of our top 5 major suppliers as we are able to source the same products and services from alternative suppliers locally. Our Group is not dependent on Viktori Holdings Sdn Bhd despite the increase in purchases of 32.8% recorded in FYE 2023 as the subcontracted services for floor slab works / IBS panel installations which our Group procured from Viktori Holdings Sdn Bhd are readily available and can be easily procured from other subcontractors. Nevertheless, we are dependent on our suppliers for the purchase of cement due to the limited cement manufacturers available in Sabah.

Further, for FYE 2020 to 2023 we had engaged 18, 21, 32 and 70 subcontractors respectively to carry out construction works for our Group. The increase in the number of subcontractors engaged in FYE 2023 was due to The Logg project as it is a mixed development project comprising condominiums, hotel and commercial building (i.e. retail space and purpose built-offices) with various amenities such as boom gates with access card system, CCTV surveillance system, round-the-clock security services, infinity pool, podium garden, gym room and badminton hall. Due to these additional features, it is necessary for our Group to engage new subcontractors with the required technical specialties to carry out such works.

7.17 FUTURE PLANS AND BUSINESS STRATEGIES**7.17.1 We intend to expand our Group's property development business through the acquisition of landbank for future projects in Sabah**

We intend to expand our Group's property development business in Sabah through the acquisition of landbank for future projects that meet the demand of the property market in Sabah, primarily for residential properties. Further, we may also enter into joint venture agreement with landowners to develop property projects in Sabah, which will be dependent upon the latest market conditions, outcome of the feasibility studies undertaken and the estimated profitability of the joint venture(s). The continued growth of our Group's property development business is supported by our well-established history of 40 years, our proven track record as a property developer, and positive market acceptance of our past projects.

In this regard, we intend to acquire more landbanks for the development of future projects in Sabah. To mitigate risks, we will also seek development sites which have obtained the relevant planning and development consents in place, thus providing us with greater certainty and a quicker turnaround time from acquisition to launch. This is because with the relevant planning and development consents in place, we are able to immediately commence construction works and to have better clarity on the duration and expected completion date of a project.

7. BUSINESS OVERVIEW (Cont'd)

This is in contrast to the seeking of landbanks for development as time is required to negotiate the terms and conditions for the purchase of the land, as well as to submit the development plan to relevant authorities in which the duration to obtain the approvals are generally longer and less certain. Where appropriate, we will explore potential joint ventures to develop property projects in Sabah by leveraging on the background and financial standing of suitable partners and our expertise and experience accumulated over the years, to undertake more property development projects.

Our Group had on 9 January 2023 entered into a conditional sale and purchase agreement with Millennium Amber Sdn Bhd (non-related party) for the acquisition of Alamesra Lands, which is earmarked for our Ayuria Place project in Alamesra, Kota Kinabalu. Our Group had on 15 November 2023 completed the acquisition of Alamesra Lands. Further details of Ayuria Place are as set out in Sections 7.3.2.2(b) and 7.3.2.3. We intend to utilise RM18.0 million from the proceeds raised from our Public Issue, within 12 months from our Listing, to repay the revolving credit of RM20.0 million that was secured from Hong Leong Islamic Bank Berhad by way of a letter of offer dated 7 August 2023 to fund the acquisition of the said lands in Alamesra, Kota Kinabalu. The balance purchase price of RM54.0 million was funded via term loan which our Group had secured from Hong Leong Islamic Bank Berhad. Any unutilised proceeds will be allocated for working capital purposes, and such variation shall, if required, be publicly announced and subject to our shareholders' approval pursuant to Rule 8.24 of the Listing Requirements. Further details on the utilisation of these proceeds are as set out in Section 4.9.1(a).

Notwithstanding the above strategies, this does not preclude us from identifying suitable landbank without existing development consents or joint venture, should the opportunity arise. In this respect, we have also identified a parcel of land, measuring approximately 82.0 acres in Tuaran, for which we have commenced negotiations with the landowner to acquire the land. The identified parcel of land in Tuaran does not have the relevant planning and development consents in place. Our Group expects to enter into a joint venture agreement with parcel owner within 12 months from our Listing, upon which planning and development activities will take place. Our Group estimates a duration of 1 year for the planning and development activities until which the relevant planning and development consents are expected to be obtained from the authorities before construction works can commence. Our Group estimates that it will take approximately 5 years to complete the project's overall construction works (i.e. construction works will be carried out by phases of development) and to deliver the vacant possession to end-buyers. Overall, assuming each of the foregoing steps are realised within the expected timeframe, our Group estimates that it will take approximately 7 years to complete the project.

In addition to the above, we will also continue to identify potential sites with close proximity / similar locations to our completed and/or on-going projects based on the market acceptance of these completed and/or on-going projects; and which have well-developed infrastructure and amenities in the surrounding areas to continue expanding our Group's property development business in Sabah. In this regard, we plan to continue identifying potential sites within the districts of Kota Kinabalu, Tuaran, Sandakan, Lahad Datu and Papar. We believe that future development projects in these areas will receive positive market acceptance based on the past performance of our completed and/or on-going projects.

7. BUSINESS OVERVIEW (Cont'd)

7.17.2 We intend to further strengthen our market presence as an established property developer in Sabah

We intend to further strengthen our market presence as a property developer in Sabah by leveraging on the following:

- (a) the positive market acceptance of our projects;
- (b) our long standing and extensive knowledge and experience on the economic prospects in Sabah; and
- (c) our understanding of the residential, commercial and mixed development property market in Sabah.

We plan to leverage on the abovementioned to further strengthen our market presence as an established property developer in Sabah, and consequently to increase our portfolio of completed design and build construction projects and property development projects in Sabah.

As at LPD, our Group has on-going and future design and build construction projects and property development projects, with further details as set out in Sections 7.3.1.3, 7.3.2.2 and 7.3.2.3 respectively. Among these projects, we have allocated RM20.7 million from the proceeds raised from our Public Issue, to be utilised within 12 months from our Listing, as working capital to partly finance the construction of our property development project, namely The Logg, with further details as follow:

Project	Type of project	Expected date of completion	Estimated GDC (excluding land and cost)⁽¹⁾	Allocation of proceeds raised from our Public Issue
The Logg, Luyang, Sabah	Mixed development	December 2025	RM686.2 million	RM20.7 million

Note:

- (1) Comprise construction costs, professional fees, local authority fees, topographic survey, site investigation report and subdivision and subsidiary titles, conversion premium, marketing expenses, management cost, other fees and contingency cost.

Further details on the utilisation of these proceeds are as set out in Section 4.9.1(d). The completion of our on-going projects will increase our portfolio of residential and mixed development properties for sale in Sabah. It will strengthen our position in the property market in Sabah, primarily in the development of residential and mixed development projects, which is in line with our plan to further strengthen our market presence as an established property developer in Sabah.

7. BUSINESS OVERVIEW (Cont'd)

7.17.3 We intend to expand the production capability of our casting activities with the addition of a new IBS production line to produce hollow core slabs to supplement our existing range of IBS components manufactured

As at LPD, our Group manufactures beams (i.e. parapet beam), floor slabs (i.e. staircases, landing slabs, and steps and half slabs) and exterior and interior wall panels (i.e. panel walls and parapet walls) using our existing IBS production lines. We have 2 casting yards, located in Tuaran (2 lines) and Kinarut (3 lines), Sabah, respectively to manufacture IBS components in which the existing 5 IBS production lines in Tuaran and Kinarut are able to manufacture all existing range of IBS components. As our Group's IBS components are manufactured for our own projects, the production and inventory are planned according to individual project needs which are dependent on factors such as type and volume required, daily manufacturing capacity, construction progress, delivery schedule and inventory space available. Our Group may store up to 3 months of inventory depending on construction requirements.

Our casting yard in Tuaran has a land area of approximately 102,000 sq ft while our casting yard in Kinarut has a land area of approximately 653,000 sq ft. Ready mix concrete that are used in the manufacturing of our IBS components are produced in our batching plant that is assembled within our Tuaran and Kinarut casting yards, respectively. We have been operating from our casting yard in Tuaran which is located adjacent to our existing projects, to cater to the particular project needs and are also transported to our Group's other project sites for assembly and installation. The manufacturing of IBS components at our casting yard in Tuaran is supported by 2 IBS production lines. Notwithstanding that, our casting yard in Kinarut is temporarily not in operations as at LPD as the supply of IBS components to its allocated project sites has been completed.

Our Group intends to recommence the operations of our casting yard in Kinarut, Sabah in June 2024 to cater for our external general building construction project which our Group secured from Jawala Corporation Sdn Bhd (the main contractor), as an IBS specialist sub-contractor for the construction of 'Pembinaan RKAT Tambahan Pelbagai Kelas di Kem Lok Kawi, Sabah' in February 2024, as well as to begin producing hollow core slabs. In line with this, we intend to purchase a new IBS production line to produce hollow core slabs which we plan to install at our Kinarut casting yard. Our Group had not outsourced the production of hollow core slabs prior to this as the planning and design of our completed and on-going projects does not involve the use of hollow core slabs. Prior to commencement of operations of such new IBS production line, our Group will obtain the requisite licences from the relevant authorities, namely the manufacturing licence from MITI, Certificate of Standard Compliance for ready-mixed concrete from CIDB Sabah and the IBS-IMPACT certificate for hollow core slabs from CIDB.

The manufacturing of hollow core slabs will expand our Group's production capability as it supplements our existing range of IBS components manufactured. The adoption of hollow core slabs, which are used as concrete flooring for parking podiums, will expedite the process and duration for the construction of parking podiums as well as reduce the dependency on on-site labour as compared to conventional construction methods. Having said that, the new IBS production line can also be used to manufacture the existing range of IBS components to cater to our project needs, as and when required. Together with the IBS components that we currently produce, the production of hollow core slabs will collectively contribute to shorter overall construction time for our projects. The difference between our existing IBS production lines and the new IBS production line to be acquired is that the new IBS production line will have an additional prestressing machine. Prestressing is a process where tension is applied to the high tensile strength and low relaxation steel wire throughout the concrete drying process to reinforce the concrete, thus allowing the hollow core slabs to overcome the concrete's natural weakness in tension and facilitating longer spans between bearing points. As the hollow core slabs that our Group intends to manufacture require prestressing, we are required to invest in a new IBS production line in order to produce the hollow core slabs.

7. BUSINESS OVERVIEW (Cont'd)

Further, despite the temporary disruption to our casting yard activities during the period of the COVID-19 pandemic, there were no delays in the delivery of IBS components to our project sites and no delays on the delivery of our projects. Our Group's ability to complete our projects on time despite the disruptions to operations during the pandemic had demonstrated that the adoption of IBS construction technique is able to shorten construction times, thus underpinning our Group's rationale to invest in a new IBS production line to produce hollow core slabs to supplement our existing range of IBS components manufactured. The new IBS production line is estimated to be able to achieve an annual manufacturing capacity of 16,100 m³ in a year (i.e. derived based on the assumption that 24,180 m³ of IBS components are manufactured in Kinarut in 2019 and an approximate 261,000 sq ft of land area was utilised to cater to the manufactured volume. This gives a calculation of 0.0926 m³ of IBS components manufactured per sq ft. As a start, we intend to utilise an approximate 174,000 sq ft of our casting yard in Kinarut for the new IBS production line. Based on the calculation of 0.0926 m³ of IBS component manufactured per sq ft, we will be able to achieve an estimated annual manufacturing capacity of 16,100 m³).

The cost of the new IBS production line (including a batching and mixing plant to support the operations of our IBS production line) is estimated to amount to RM9.7 million. We intend to utilise RM2.2 million from the proceeds raised from our Public Issue, within 24 months from our Listing, to fund the purchase of the new IBS production line, including the batching and mixing plant. The balance RM7.5 million will be funded via internally generated funds and/or bank borrowings, as needed. Further details on the utilisation of these proceeds are as set out in Section 4.9.1(b).

As at LPD, we have relocated the batching plant in our Tuaran casting yard and are in the midst of relocating the 2 IBS production lines to a temporary casting yard located within our new project site at Alamesra for safer and quicker transportation, which we expect to complete in August 2024. This is because the transportation of IBS components such as wall panels have to be placed vertically during transportation. Thus, the height of the wall panels, when transported, may increase the possibility of accidents such as hitting overhead power and telecommunication cables. Hence, with the relocation of the IBS production lines to a site within our Alamesra project site, it can eliminate the occurrence of such accidents, as well as reduce transportation time and cost. However, for hollow core slabs, it can be stacked on top of one another during transportation and hence will not likely cause similar accidents. The selection of Kinarut casting yard for the manufacturing of hollow core slabs is also due to the mechanism of the IBS production line for hollow core slabs that requires permanent installation that cannot be dismantled for relocation, which necessitates its installation at our Kinarut casting yard (for further clarity, our Group will dismantle the temporary casting yard within our Alamesra project site once the project has been completed).

7.17.4 We intend to upgrade our software and systems to further enhance our operational efficiency

In anticipation of future business growth and expansion as well as to support the day-to-day operations of our Group, we intend to upgrade our software and systems to support and enhance our business operations in the following manner:

- (a) to purchase a resource planning, scheduling and management software to manage the production planning and inventory management of our IBS activities;
- (b) to purchase an accounting system to enhance the operational efficiencies of our financial and accounting functions; and
- (c) to purchase a payroll and human resource system to improve the administration of our human resource and staff payroll functions.

7. BUSINESS OVERVIEW (Cont'd)

We intend to utilise RM0.4 million from the proceeds raised from our Public Issue, within 6 months from our Listing, to fund the purchase of the abovementioned software and systems. Further details of the software and systems to be purchased and the utilisation of these proceeds are as set out in Section 4.9.1(c).

The rest of this page is intentionally left blank

8. IMR REPORT

SMITH ZANDER INTERNATIONAL SDN BHD 201301028298 (1058128-V)
15-01, Level 15, Menara MBMR, 1 Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia
T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

Date: **19 APR 2024**

The Board of Directors

KTI Landmark Berhad

Lot 221 & 222, Taman Nelly 9
Phase 4 Shoplot, Lorong Nelly Plaza
Jalan Nountun, Kolombong
88844 Kota Kinabalu
Sabah

Dear Sirs/ Madams,

Independent Market Research Report on the Residential Property and Shop Market, Hotel Industry and Construction Industry in Sabah ("IMR Report")

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("SMITH ZANDER") for inclusion in the Prospectus in conjunction with the listing of KTI Landmark Berhad ("KTI Landmark") on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry in which KTI Landmark and its subsidiaries ("KTI Landmark Group") operate and to offer a clear understanding of the industry dynamics. KTI Landmark Group is a property developer, principally involved in the provision of design and build construction services (i.e. property development activities with focus on residential and commercial (i.e. shops) property in Sabah) and the Group's own property development activities (i.e. residential, commercial (shops) and mixed development comprising a combined development of high-rise condominiums/serviced apartments, retail space and hotel) in Sabah. KTI Landmark Group's property development activities are also supported by in-house construction services. Hence, the scope of work for this IMR Report will thus address the following areas:

- (i) The residential property and shop market in Sabah;
- (ii) The hotel industry in Sabah; and
- (iii) The construction industry in Sabah.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report or otherwise.

For and on behalf of SMITH ZANDER:



DENNIS TAN TZE WEN
MANAGING PARTNER

8. IMR REPORT (Cont'd)

SMITH ZANDER

COPYRIGHT NOTICE

No part of this IMR Report may be given, lent, resold, or disclosed to non-customers or any other parties, in any format, either for commercial or non-commercial reasons, without expressed consent from SMITH ZANDER. Further, no part of this IMR Report may be extracted, reproduced, altered, abridged, adapted, modified, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, for purposes other than the listing of KTI Landmark Berhad on the ACE Market of Bursa Malaysia Securities Berhad, without express consent from SMITH ZANDER.

Any part of this IMR Report used in third party publications, where the publication is based on the content, in whole or in part, of this IMR Report, or where the content of this IMR Report is combined with any other material, must be cited and sourced to SMITH ZANDER.

The research for this IMR Report was completed on 17 April 2024.

For further information, please contact:

SMITH ZANDER INTERNATIONAL SDN BHD

15-01, Level 15, Menara MBMR
1, Jalan Syed Putra
58000 Kuala Lumpur
Malaysia
Tel: + 603 2732 7537

www.smith-zander.com

© 2024, All rights reserved, **SMITH ZANDER INTERNATIONAL SDN BHD**

About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 26 years of experience in market research and strategy consulting, including over 21 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

8. IMR REPORT (Cont'd)

SMITH ZANDER

1 THE RESIDENTIAL PROPERTY AND SHOP MARKET IN SABAH**1.1 OVERVIEW OF SABAH**

Situated on the tip of the island of Borneo, Sabah is the second largest state in Malaysia, covering an area of 74,100 kilometres square. Population in the state of Sabah comprised 10.76% of Malaysia's population in 2023 with approximately 3.59 million persons. In Sabah, Kota Kinabalu is the most populated district comprising 14.62% of the total population in Sabah in 2023.

Sabah's gross domestic product ("GDP") was recorded at RM81.93 billion in 2022¹, contributing 5.43% to the country's total GDP. In 2020, Sabah's GDP recorded a year-on-year ("YOY") decline of 9.11% from RM85.64 billion in 2019 to RM77.84 billion in 2020 due to the outbreak of the COVID-19 pandemic that had affected economic activities. This stemmed from the mandate of the Government for the temporary closure of operations that had led to a disruption of business and logistics activities. In comparison, Malaysia's GDP was recorded at RM1.35 trillion in 2020, a YOY decline of 4.93% from RM1.42 trillion in 2019. Nevertheless, the country's economy recorded a healthy recovery of 2.96% in 2021 and further grew by 8.63% in 2022 and 3.97% in 2023, while Sabah's GDP recovered by 1.49% in 2021 and 3.71% in 2022. Between 2018 and 2023, Malaysia's GDP recorded a compound annual growth rate ("CAGR") of 2.91%.

Key economic indicators, 2018 – 2023(p)

Indicators	2018	2019	2020	2021(e)	2022(p)	2023(p)
Sabah GDP (RM billion)	85.01	85.64	77.84	79.00	81.93 ⁽¹⁾	N/A
Sabah GDP growth rate (%)	1.46	0.74	(9.11)	1.49	3.71 ⁽¹⁾	N/A
Sabah GDP share to Malaysia total GDP (%)	6.25	6.03	5.77	5.68	5.43 ⁽¹⁾	N/A
Malaysia GDP (RM trillion)	1.36	1.42	1.35	1.39	1.51	1.57
Malaysia GDP growth rate (%)	4.62	4.41	(4.93)	2.96	8.63	3.97

Notes:

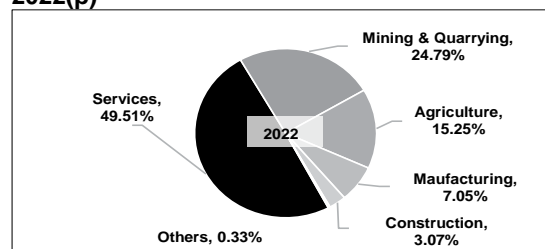
- (e) – Estimates;
- (p) – Preliminary.

Sources: Department of Statistics Malaysia ("DOSM"), SMITH ZANDER

The economy of Sabah is primarily driven by the services sector that comprised 49.51% of Sabah's GDP in 2022. This was followed by the mining and quarrying sector and agriculture sector at 24.79% and 15.25% respectively.

The economy of Sabah is also driven by tourism. In December 2000, Kinabalu National Park ("KNP") was declared as a World Heritage Site by The United Nations Educational, Scientific and Cultural Organisation (UNESCO). KNP is renowned for its diverse species of flora and fauna and is one of the most important biological sites in the world.

Boasted as one of the richest collections of biodiversity in the world, KNP offers a variety of activities (e.g. trekking, hiking, camping and recreational walk) to tourists, with Mount Kinabalu being the main attraction of the park. Sabah is also well known for its islands, beaches and diving sites. These attractions drive the state's eco-tourism segment domestically and internationally.

GDP, Sabah, by kind of economic activity, 2022(p)¹

Sources: DOSM, SMITH ZANDER

1.2 OVERVIEW OF THE PROPERTY MARKET IN SABAH

The property development market is driven by the development of other economic sectors in the country, such as the construction, manufacturing, services, agriculture, mining and quarrying sectors. The property market is broadly categorised into residential, commercial and industrial properties:

- Residential properties include landed property such as terrace houses, semi-detached houses, detached houses, cluster houses and bungalows; as well as low-rise and high-rise property such as townhouses, flats, condominiums and serviced apartments;
- Commercial properties include shops, purpose-built offices, small office/home office, shopping complexes and hotels; and
- Industrial properties include terrace factories, semi-detached factories, detached factories, cluster factories and industrial complexes.

KTI Landmark Group is a property developer, principally involved in the provision of design and build construction services (i.e. property development activities with focus on residential and commercial (i.e. shops) property in Sabah) and the Group's own property development activities (i.e. residential, commercial (shops) and mixed development comprising a combined development of high-rise condominiums/serviced apartments, retail space and hotel) in Sabah. Chapter 1 – The Residential Property and Shop Market in Sabah of this report will focus on the residential property and shop market in Sabah. As KTI Landmark Group

¹ Latest available information as at the date of research completion.

8. IMR REPORT (Cont'd)

SMITH ZANDER

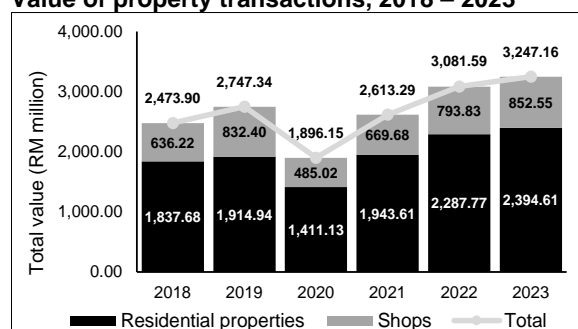
intends to venture into the hotel industry, the industry performance of the hotel industry in Sabah is discussed in *Chapter 2 – The Hotel Industry in Sabah* of this report. Further, KTI Landmark Group's property development activities are supported by in-house construction services and this will be discussed in *Chapter 3 – The Construction Industry in Sabah* of this report.

Market Performance and Size of the Property Market in Sabah²

The performance of the residential property market in Sabah, measured in terms of total value of property transactions, increased from RM1.84 billion in 2018 to RM2.39 billion in 2023, at a CAGR of 5.37%. In terms of total volume of property transactions, the performance of the residential property market in Sabah increased from 4,993 units in 2018 to 5,724 units in 2023, at a CAGR of 2.77%.

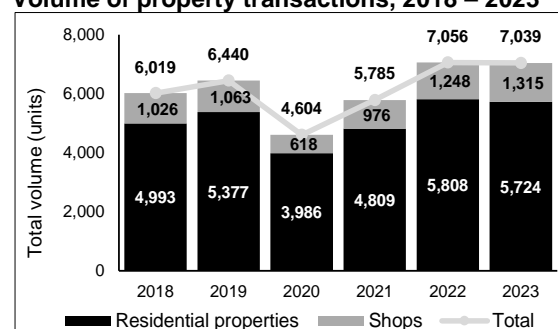
The performance of the shop market in Sabah, measured in terms of total value of property transactions, increased from RM0.64 billion in 2018 to RM0.85 billion in 2023, at a CAGR of 5.84%. In terms of total volume of property transactions, the performance of the shop market in Sabah increased from 1,026 units in 2018 to 1,315 units in 2023, at a CAGR of 5.09%.

Value of property transactions, 2018 – 2023



Sources: National Property Information Centre ("NAPIC"), SMITH ZANDER

Volume of property transactions, 2018 – 2023



Sources: NAPIC, SMITH ZANDER

COVID-19 impact on the property market and the recovery

In 2020, the value of property transactions for both residential properties and shops in Sabah decreased by 26.31% and 41.73% respectively. Likewise, the volume of property transactions for residential properties and shops decreased by 25.87% and 41.86% respectively. The decline was due to the adverse economic impact arising from the COVID-19 pandemic in 2020 that had led to the imposition of nationwide movement restrictions by the Government to curb the spread of the COVID-19 virus. This had impacted economic activities and business operations.

To mitigate the adverse economic impact of the COVID-19 pandemic, Bank Negara Malaysia ("BNM") had announced several measures such as the reduction of overnight policy rate ("OPR") between March 2020 and July 2020 whereby the OPR was reduced by 100 basis points to 1.75%, as well as a 6-month loan deferment until September 2020 to ease the cash flow of individuals and SMEs through the Prihatin Rakyat Economic Stimulus Package (PRIHATIN). In June 2021, another 6-month loan deferment was introduced effective July 2021 under the National People's Well-Being and Economic Recovery Package (PEMULIH) stimulus package. Further, to stimulate the property market and provide financial relief to homebuyers, the Government had introduced several initiatives through the Pelan Jana Semula Ekonomi Negara (PENJANA) Short-Term Economic Recovery Plan being the:

- reintroduction of the Home Ownership Campaign (HOC), between 1 June 2020 and 31 December 2021, whereby stamp duty exemptions and/or reductions are granted for the purchase of new residential properties priced between RM300,000 and RM2.50 million³; and
- removal of 70% financing limit on third housing loan for properties priced RM600,000 and above, as well as the exemption of real property gains tax ("RPGT") for Malaysians who sell their residential property (up to 3 residential properties) between 1 June 2020 and 31 December 2021.

Under Budget 2021, the Government proposed to further extend the full stamp duty exemptions on the instruments of transfer and instrument of securing loans for the first residential property purchased by Malaysians to 31 December 2025, with the price limit on properties being increased from RM300,000 to RM500,000. Following that, the property market in Sabah registered a recovery in 2021 whereby the value of property transactions for both residential properties and shops increased by 37.73% and 38.07%

² 6-year data is presented in this section to provide a more comprehensive illustration on the performance of the market due to the unprecedented outbreak of the COVID-19 pandemic that had affected economic activities in 2020 and 2021.

³ Full exemption on the stamp duty is limited to the home price up to RM1.00 million and 3% stamp duty for home price between RM1.00 million to RM 2.50 million; while full exemption is given on stamp duty on securing loan for loan amount up to RM2.25 million.

8. IMR REPORT (Cont'd)

SMITH ZANDER

respectively; while the volume of property transactions for residential properties and shops increased by 20.65% and 57.93% respectively.

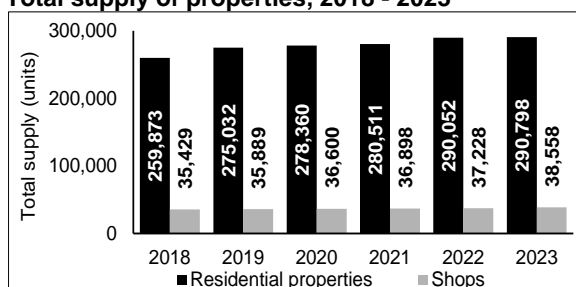
The economy continued to grow with the national GDP expanding by 8.63% YOY in 2022. Similarly, the value of property transactions for both residential properties and shops in Sabah also recorded a YOY growth of 17.71% and 18.54% respectively in 2022. Coupled with the recovery in consumer sentiment, the expansion of the property market in 2022 was also driven by the Government's proposal to remove RPT on the disposal of properties held by Malaysians and permanent residents in Malaysia for more than 5 years under Budget 2022. This proposal came into effect in January 2022, to ease the financial burden of property owners from paying higher taxes for the disposal of properties.

To further drive the property market post COVID-19, the Government had, under Budget 2023, announced the continued exemption of stamp duty for first-time homeowners whereby full stamp duty exemptions will be granted for homes valued at RM500,000 and below until 31 December 2025, whereas 75% stamp duty exemptions will be granted for homes valued between RM500,001 and RM1 million until 31 December 2023. With the abovementioned Government initiatives in place, coupled with economic recovery, consumer sentiment and purchasing power are expected to improve which will drive the continued growth of the property market in Sabah. Please refer to *Chapter 1.3 – Key Demand Drivers, Risks and Challenges* for further information on the key market drivers.

Supply conditions of the residential property and shop market in Sabah

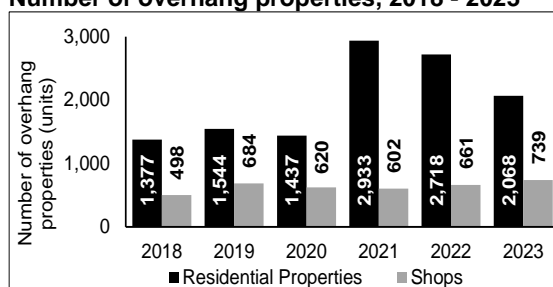
From 2018 to 2023, the total supply of residential properties increased from 259,873 units to 290,798 units at a CAGR of 2.27%. In 2023, the total supply of 290,798 units of residential properties comprised an existing stock⁴ of 246,193 units and future supply⁵ of 44,605 units. From 2018 to 2023, the total supply of shop units increased from 35,429 units to 38,558 units at a CAGR of 1.71%. In 2023, the total supply of 38,558 units of shops comprised an existing stock of 34,709 units and future supply of 3,849 units.

Total supply of properties, 2018 - 2023



Sources: NAPIC, SMITH ZANDER

Number of overhang properties, 2018 - 2023



Sources: NAPIC, SMITH ZANDER

Properties transacted come from the pool of existing stock, incoming supply and/or planned supply. Overhang units are completed units with CCC in the review period but remained unsold for more than 9 months since the issuance of CCC. Existing stock is the total stock of all completed sold and unsold residential units in the market that have received CCC, therefore overhang units are included in the existing stock supply. From 2018 to 2023, the number of overhang residential properties increased from 1,377 units to 2,068 units at a CAGR of 8.47%. Meanwhile, the number of overhang shops increased from 498 units to 739 units at a CAGR of 8.21% over the same period.

The number of overhang residential properties in Sabah is below the national average of overhang residential properties at approximately 3,020 units per state. Out of the 2,068 units of overhang residential properties in 2023, condominiums/apartments accounted for 1,532 units, followed by terrace houses at 423 units, and semi-detached/detached houses at 113 units. Nevertheless, the shop market in Sabah recorded a relatively higher overhang at 739 units in 2023, which is above the national average of overhang shops at approximately 390 units per state. Out of the 739 units of overhang shops in 2023, stratified shops accounted for 417 units, followed by 2-storey to 2-1/2-storey shops at 203 units, 3-storey to 3-1/2-storey shops at 106 units and 1-storey to 1-1/2-storey shops at 13 units. The overhang of shop units is attributed to various factors including relatively higher pricing, property location and demand for shops which is influenced by economic conditions in Sabah.

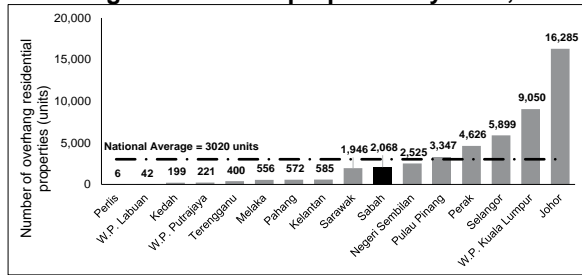
⁴ Existing stock refers to total stock of all completed sold and unsold properties in the market that have received Certificate of Completion and Compliance ("CCC").

⁵ Future supply comprises incoming supply and planned supply. Incoming supply refers to total number of properties in the market that are currently under construction; whereas planned supply refers to total number of properties where building plans have been approved but construction works are yet to commence.

8. IMR REPORT (Cont'd)

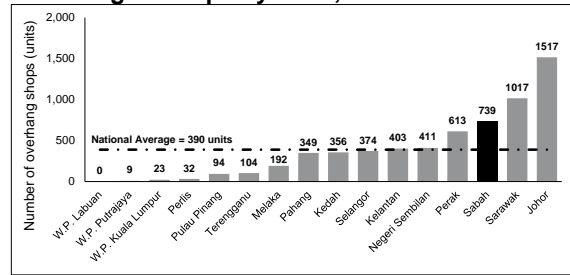


Overhang of residential properties by state, 2023



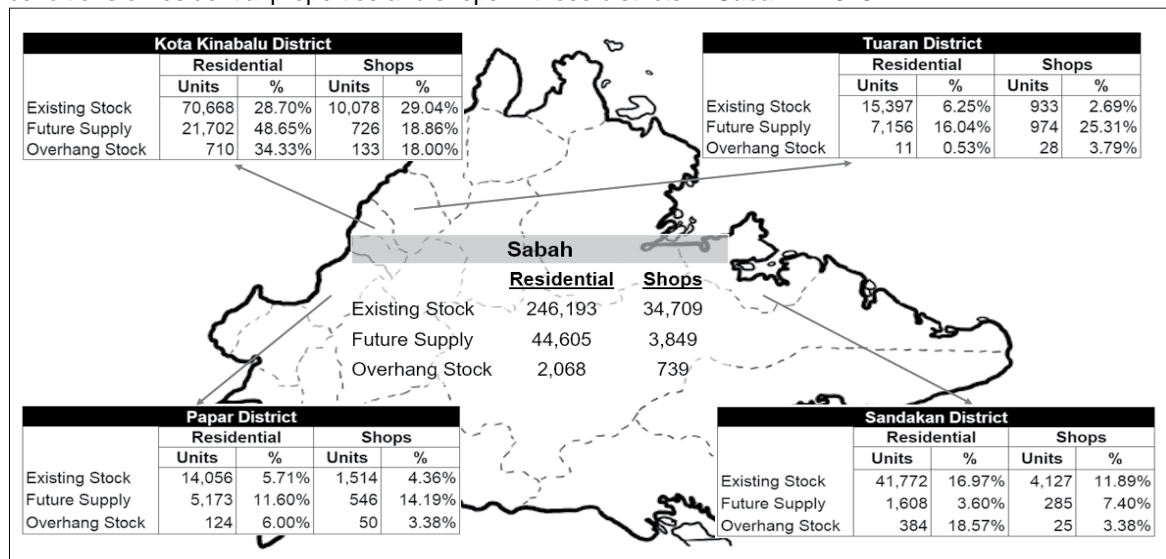
Sources: NAPIC, SMITH ZANDER

Overhang of shops by state, 2023



Sources: NAPIC, SMITH ZANDER

KTI Landmark Group's on-going and future projects are located in the districts of Kota Kinabalu, Tuaran, Papar and Sandakan respectively. The following map presents a summary of the supply and overhang conditions of residential properties and shops in these districts in Sabah in 2023.



Sources: NAPIC, SMITH ZANDER

Kota Kinabalu and Sandakan are the 2 most populated districts in Sabah (i.e. approximately 0.53 million persons and 0.47 million persons in 2023 respectively), recording the highest number of existing stock for residential properties and shops in 2023 compared to other districts. Kota Kinabalu also recorded the highest number of future supply and overhang for residential properties in Sabah. In terms of overhang, Sandakan, Tuaran and Papar districts have a relatively low number of overhang units for both residential properties and shops.

1.3 KEY DEMAND DRIVERS, RISKS AND CHALLENGES

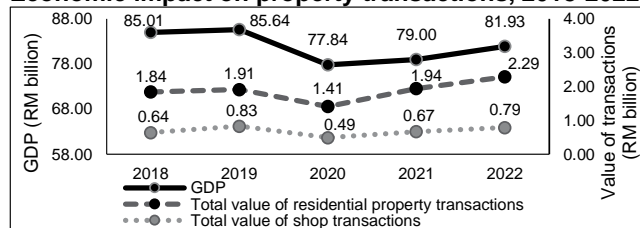
Key Demand Drivers

- Economic growth and rising disposable income signify growth opportunities in the property market in Sabah

The key indicator that influences the property market is the stability of the nation's economy. A robust economy has a positive impact on the property market while a sluggish economy will likewise result in sluggish demand for properties. Economic growth has the potential to contribute to increased disposable income amongst the population, arising from higher employment and increased earnings for businesses and consumers, consequently leading to increased demand for residential properties and shops.

Between 2018 and 2019, Sabah's wealth, as depicted by its GDP, increased from RM85.01 billion to RM85.64 billion at a YOY growth of 0.74%. During the same period, the value of property transactions for residential properties and shops also increased, at a YOY growth of 3.80% and 29.69% respectively. In 2020, Sabah's GDP decreased by 9.11% to RM77.84 billion, due to the adverse economic impact arising from the COVID-19 pandemic.

Economic impact on property transactions, 2018-2022



Sources: DOSM, NAPIC, SMITH ZANDER

8. IMR REPORT (Cont'd)**SMITH ZANDER**

Similarly, the value of property transactions for residential properties and shops also decreased at 26.18% and 40.96% respectively in 2020. In 2021 and 2022, in line with the recovery in national GDP, the property market in Sabah also demonstrated a similar recovery and is further supported by the various stimulus introduced by the Government during the COVID-19 pandemic to drive property demand as set out in *Chapter 1.2 - Overview of the Property Market in Sabah*. The economic wealth of the population is expected to continue to increase over the long-term and has the potential to contribute to higher demand for residential properties and shops in Sabah.

► **Increase in investments drives demand for residential properties and shops**

Sabah's economy is mainly driven by the services, mining and quarrying, and agricultural sectors. The services sector is the largest contributor at 49.51% (i.e. RM40.57 billion) of Sabah's GDP in 2022 (i.e. the main contribution to the services sector is derived from the wholesale and retail trade, food and beverages and accommodation sub-sector, which collectively contributes to 17.35% of Sabah's total GDP in 2022 which are supported by local demand and tourism activities). In 2022, the mining and quarrying sector is the second largest contributor of Sabah's GDP at 24.79% (i.e. RM20.31 billion), followed by the agricultural sector at 15.25% (i.e. RM12.49 billion).

In addition, Sabah's economy is supported by the manufacturing sector which accounts for 7.05% (i.e. RM5.78 billion) of Sabah's GDP in 2022. The Sabah government aims to boost GDP contribution from the manufacturing sector. Some examples of recently announced local and foreign investments in Sabah are as follows:

- In 2021, a joint-investment by Kumpulan Yayasan Sabah and Tegas Bangsa Sdn Bhd for the development of Lok Kawi Resort City in Sabah was announced. The project comprises of theme parks, resort hotels, shopping complexes, commercial and office blocks, and residential with a gross development value of RM7 billion. This is expected to create 5,000 job opportunities in Sabah;
- SK Nexilis Co., Ltd., a South Korean-based company, is setting up a copper foil manufacturing facility in Kota Kinabalu Industrial Park ("KKIP") which commenced operations in 2023. This is expected to create 400 jobs for the employment market in Sabah;
- SBH Kibing Solar New Materials (M) Sdn Bhd, a Malaysian-based company, is setting up a solar glass panel manufacturing plant in KKIP and a silica sand processing plant in Sikuati which commenced operations in 2023. This is expected to create 2,100 jobs for the employment market in Sabah; and
- Linaco Manufacturing (M) Sdn Bhd, a Malaysian-based company, is setting up a coconut processing plant and a high-yield coconut plantation in Paitan which is expected to commence operations by 2026. This is expected to create 4,400 jobs for the employment market in Sabah.

In 2023, Sabah attracted RM11.34 billion worth of total investments comprising of RM0.13 billion from foreign direct investment and RM11.21 billion from domestic direct investment. This accounts for 3.44% of Malaysia's total approved investments of RM329.46 billion recorded in 2023.⁶

Due to the business expansions and/or investments mentioned above, it is likely to result in growth of Sabah's overall economy. The growth in economic activities will also lead to increased job opportunities, increased disposable income, higher business earnings and expansion of businesses. All of which would likely drive the demand for residential properties and shops in Sabah.

► **Government-driven initiatives to drive demand for residential properties, including affordable housing**

To encourage home ownership by low and middle-income individuals, the Government has introduced various affordable housing programmes throughout the country which has been implemented by the respective local state authorities. In Sabah, Lembaga Pembangunan Perumahan dan Bandar (LPPB) being the state authority responsible for overseeing housing and township development has implemented the development of affordable housing projects such as Program Perumahan Rakyat ("PPR") and Perumahan Penjawat Awam ("PPAM"). The PPR is a programme for the resettlement of squatters and to provide affordable homes to low and middle income citizens in Sabah. The PPAM programme was introduced in 2013 to provide affordable homes to all Malaysian government servants and retired government servants, including employees of the Federal Government, State Government, State or Local Authorities and Statutory Bodies, from low and middle incomes.

In the 12th Malaysia Plan (2021 – 2025), the Government announced that a total of 500,000 affordable housing will be developed to increase home ownership through various affordable housing initiatives, such as the PPR project in Sabah. In line with this initiative, the Government also announced the following aids under the respective Budgets:

- Budget 2022 - an allocation of RM1.50 billion on the development of affordable housing projects;
- Budget 2023 - a guarantee worth RM2.00 billion to banks via the Housing Credit Guarantee Scheme ("HCGS"), to begin in 2022 by providing financial assistance for the lower income group for the purchase

⁶ Source: Malaysian Investment Development Authority ("MIDA").

8. IMR REPORT (Cont'd)**SMITH ZANDER**

of properties. Moreover, the Government had extended the guarantee under the HCGS to RM5 billion, and the allocation is expected to benefit 20,000 borrowers; and

- Budget 2024 – an allocation of RM2.47 billion to implement PPR, and an extension of the guarantee under the HCGS to RM10 billion which is expected to benefit 40,000 borrowers.

These affordable housing initiatives are expected to drive the demand for residential properties in Sabah. Further details on Government initiatives to drive the overall property market, during and post COVID-19 pandemic, are set out in *Chapter 1.2 - Overview of the Property Market in Sabah*.

Key Market Risks and Challenges**► Adverse economic conditions may negatively impact the demand for properties**

The property market is dependent on the state of the economy. As properties are generally long-term high value investments (which require years of commitment to service the loans), the decision to purchase properties is usually cautiously made. Consideration of various factors such as economic conditions, property prices, market sentiment, development outlook of the property location and interest rates of housing loans are commonly borne in mind prior to making any investments. Therefore, any changes to Malaysia's economic conditions that affect consumers' purchasing power may consequently boost or dampen the demand for properties. A growing economy signifies a wealthier population with higher purchasing power which would likely lead to high value investments being made - such as the purchase of properties. Conversely, a decline in economic conditions, such as the prolonged effect of the COVID-19 pandemic or global economic crisis, may lead to loss of businesses and jobs, pay cuts, lower salary growth, increase in unemployment rates, and reduced consumer purchasing power. This would lead to more reluctance by consumers to make investments, especially with regards to high value assets such as properties.

► Unfavourable changes in Government policies may affect property sales

The property market is subject to Government policies in Malaysia. Any adverse changes in Government policies in relation to the property market could adversely affect the sale of residential properties. For example, the changes in OPR by BNM may affect the interest rates for housing loans, which will subsequently impact the total purchasing cost of properties, and eventually affect market sentiment and demand for residential properties.

Government policies may also affect property sales amongst foreigners in Malaysia. The Malaysia My Second Home ("MM2H") programme is a programme that allows foreigners to purchase property and reside in Malaysia. Following the suspension of the MM2H programme in July 2020 due to the COVID-19 outbreak, the programme was reintroduced in August 2021 with 9 conditions for new applications beginning October 2021. Among the 9 conditions are that applicants must have a minimum fixed deposit of RM1 million, liquid assets worth RM1.50 million and must bear a processing fee of RM5,000 for the principal and RM2,500 per dependant for the MM2H passes. While the policies may change from time to time, any increase in the minimum fixed deposit amount, value of liquid assets or processing fee for the MM2H pass may reduce the attractiveness of the MM2H programme, and may eventually affect the demand for residential properties in Sabah among foreign investors.

1.4 COMPETITIVE LANDSCAPE**Overview**

The property development market in Sabah comprises various types of developers such as government-owned corporations, public-listed companies, and privately-owned property developers. These industry players may be involved in the development of various types of buildings/developments such as residential, commercial, industrial and mixed property developments.

Industry players compete in terms of quality of product and service offerings, ability to deliver in a timely manner, project track record and pricing. It is also essential for industry players to build and maintain strong track records and business relationships with contractors and sub-contractors to ensure the timely completion and delivery of properties.

KTI Landmark Group competes with industry players who are involved in the development of residential and commercial properties in Sabah, which is the Group's current area of focus.

Key Industry Players

As KTI Landmark Group is principally involved in the provision of design and build construction services (i.e. property development activities with focus on of residential and commercial property (i.e. shops) in Sabah) and the Group's own property development activities (i.e. residential, commercial (shops) and mixed development comprising a combined development of high-rise condominiums/serviced apartments, retail space and hotel) in Sabah, the basis for selection of the closest competitors to KTI Landmark Group is as follows:

8. IMR REPORT (Cont'd)

SMITH ZANDER

- Companies with on-going and/or up-coming residential and/or commercial property development projects in Sabah; and
- Companies which recorded more than RM20 million in revenue based on their respective latest available financial years.

Premised on the above, the following sets out the closest competitors to KTI Landmark Group:

Company name	Types of development	Examples of ongoing/up-coming property development projects in Sabah	Latest available financial year	Revenue (RM million)	Segmental revenue (RM million) ⁽¹⁾	Gross profit (RM million)	Gross profit margin (%) ⁽²⁾	Profit before tax (RM million)	Profit before tax margin (%) ⁽³⁾
Asian Pac Holdings Berhad	• Residential • Commercial • Industrial	• Rimbas Hills, Kota Kinabalu • LikasVue, Kota Kinabalu	31 March 2023	221.74	143.25	71.07	32.05	13.99	6.31
Hap Seng Consolidated Berhad	• Residential • Commercial • Mixed	• Kingfisher Condominium, Putatan • Bandar Sri Indah, Tawau	31 December 2022	7,110.50	381.31	1,659.94	23.34	1,330.46	18.71
Hao Yun Business Alliance Sdn Bhd	• Residential	• Taman Eko Tropika 2, Papar • Taman Vila Palma 2, Keningau	31 December 2022	40.11	37.38	11.77	29.34	8.50	21.19
HoHup Group Berhad	• Residential • Commercial • Mixed	• The Crown, Kota Kinabalu	31 December 2022	213.04	141.21	50.18	23.55	(25.85)	(12.13)
IJM Land Berhad	• Residential • Mixed	• Rimbayu Indah, Sandakan • Bandar Utama, Sandakan	31 March 2023	4,572.49	1,742.97	1,179.95	25.81	483.03	10.56
KTI Landmark Group	• Residential • Commercial • Mixed	• Residensi Seri Akasia, Tuaran • Taman Bukit Alamanda, Papar • The Logg Luyang, Kota Kinabalu	31 December 2023	120.17	113.45	35.59	29.62	17.30	14.40
Legacy Group Development Sdn Bhd	• Residential • Mixed	• Eco Peak Residences, Penampang • Taman Padi Ria, Tuaran	31 March 2023	55.05	41.80	12.80	23.25	3.63	6.59
SBC Corporation Berhad	• Residential • Mixed	• Jesselton Quay, Kota Kinabalu	31 March 2023	62.33	44.65	19.52	31.32	0.98	1.57
SCP (Balakong) Sdn Bhd	• Residential • Commercial • Mixed	• Taman Bukit Damaisari, Kota Kinabalu • Residensi Acacia, Kota Kinabalu	31 December 2022	56.10	56.10	14.68	26.17	9.02	16.08
WMG Holdings Berhad	• Residential • Commercial • Mixed	• Parklane, Kota Kinabalu • Taman Indah Jaya, Sandakan	31 December 2022	78.03	61.99	25.25	32.36	(0.82)	(1.05)
WSG Properties Sdn Bhd	• Residential • Commercial	• Benoni Gardens, Papar • Parklane Villa Benoni, Papar	31 December 2022	35.34	35.34	18.60	52.63	5.28	14.94

8. IMR REPORT (Cont'd)

SMITH ZANDER

Notes:

- (1) Segmental revenue is defined as revenue generated from the property development segment.
- (2) Gross profit margin is defined as the ratio between gross profit and revenue.
- (3) Profit before tax margin is defined as the ratio between profit before tax and revenue.
- The identified closest competitors to KTI Landmark Group in Malaysia include all closest competitors that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that have no online and/or published media presence or are operating with minimal public advertisement. Hence, SMITH ZANDER is unable to state conclusively that the list of closest competitors is exhaustive. In instances where the closest competitors are exempt private companies for the latest available financial year, or the closest competitors have no publicly available financial reports, the closest competitors are not included in the table as the audited financial statements of the companies are not publicly available.

Sources: Various company websites, KTI Group, Companies Commission of Malaysia, SMITH ZANDER

Market Share

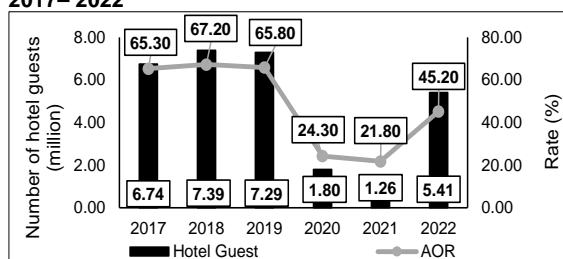
In 2023, total residential property transactions by value and volume in Sabah was recorded at RM2,394.61 million and 5,724 units respectively. KTI Landmark Group captured a market share of 4.66% by value of residential property transactions, based on their revenue of RM111.55 million derived from the sale of their residential properties and 5.17% by volume for residential property transactions, based on their number of residential units sold of 296 units.

On the other hand, total commercial property transactions by value and volume in Sabah was recorded at RM852.55 million and 1,315 units respectively in 2023. KTI Landmark Group captured a market share of 0.22% by value of commercial property transactions, based on their revenue of RM1.90 million derived from the sale of commercial properties and 0.15% by volume for commercial property transactions, based on their number of commercial units sold of 2 units.

2 THE HOTEL INDUSTRY IN SABAH

The hotel industry in Sabah thrives on the travel and tourism industry as tourists visit Sabah to enjoy its natural attractions such as the KNP, islands, beaches and diving sites. Prior to the outbreak of the COVID-19 pandemic, the number of hotel guests in Sabah (comprising domestic and foreign guests) increased from 6.74 million in 2017 to 7.29 million in 2019 at a CAGR of 4.00%. Over the same period, the average occupancy rates (“AOR”) of hotels in Sabah averaged 66.10%.

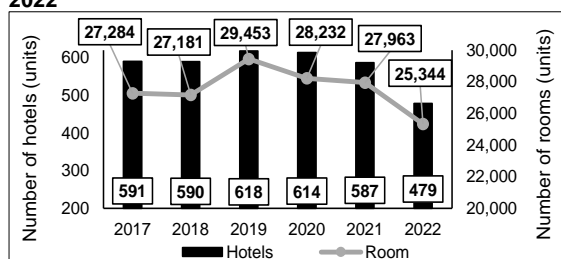
Number of hotel guests and AOR of hotels in Sabah, 2017– 2022



Note: Latest available information as at the date of research completion.

Sources: Tourism Malaysia, SMITH ZANDER

Number of hotels and hotel rooms in Sabah, 2017 - 2022



Note: Latest available information as at the date of research completion.

Sources: Tourism Malaysia, SMITH ZANDER

The outbreak of the COVID-19 pandemic in 2020 had adversely impacted the tourism industry globally as the closure of country borders, nationwide lockdowns and travel restrictions were implemented to curb the spread of COVID-19. This had adversely affected the hotel industry in 2020 and 2021. The number of hotel guests in Sabah fell from 7.29 million in 2019 to 1.80 million in 2020 and 1.26 million in 2020 and 2021 respectively, with AOR declining to 24.30% and 21.80% in 2020 and 2021 respectively. In terms of supply, the number of hotels in Sabah recorded a YOY decline of 0.65% and 4.40% in 2020 and 2021 respectively. Further, the number of hotel rooms recorded a YOY decline of 4.15% and 0.95% in 2020 and 2021 respectively.

With the rollout of COVID-19 vaccinations and the subsiding impact of the COVID-19 pandemic, restrictions on domestic travelling were uplifted in October 2021. Following that, the number of hotel guests and AOR were recorded higher at 5.41 million persons and 45.20% respectively in 2022.

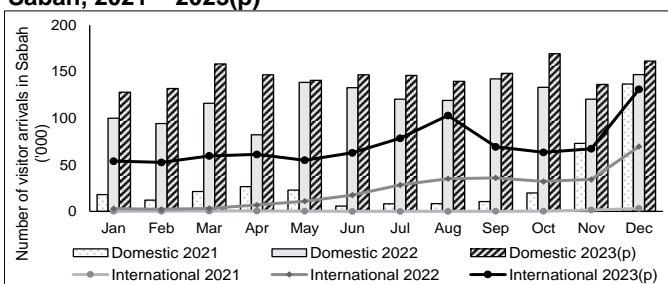
Further, with the ease of restrictions on domestic travel, the number of monthly domestic visitor arrivals in Sabah began to gradually increase. In 2022, the total number of domestic visitor arrivals was recorded at 1,447,639, a 297.81% increase from 363,901 in 2021. A further increase of 21.22% to 1,754,797 domestic visitor arrivals was estimated for 2023 by Sabah Tourism Board.

8. IMR REPORT (Cont'd)

SMITH ZANDER

In April 2022, the country’s borders were reopened as Malaysia entered the “Transition of Endemic” phase of COVID-19 allowing the resumption of international travel. Meanwhile, the total number of international visitor arrivals was recorded at 280,101 in 2022, a 3,744.37% increase from 7,286 in 2021. A further increase of 206.49% to 858,475 international visitor arrivals was estimated for 2023 by Sabah Tourism Board. The increase in visitor arrivals in Sabah indicates a recovery of the tourism industry in Sabah.

Monthly domestic and international visitor arrivals in Sabah, 2021 – 2023(p)



Sources: Sabah Tourism Board, SMITH ZANDER

The growth in the tourism industry being the key driver to the demand for hotels, is expected to be further driven by the following factors:

► **People’s general desire to travel**

Travelling has become an integral part of modern lifestyle for many people as it brings various benefits in enriching a person’s life experience. Travelling to places outside of the usual environment and undertaking novel activities can be often a form of rejuvenation and recuperation. It enables a person to indulge in various experiences such as nature, foreign histories and cultures, and unusual culinary delights that would otherwise be unavailable in a person’s everyday environment. Further, travel is also a tradition, especially for those who conduct annual vacations. Following the upliftment of domestic travel restrictions in October 2021 and the reopening of country borders in April 2022, travel and tourism activities have increased due to the desire to travel after prolonged confinement due to the lockdown, thus driving the demand for hotels. In 2022, the number of international tourist arrivals in Malaysia stood at 10.07 million⁷, exceeding its target of 9.20 million international tourist arrivals⁸. In 2023, the number of international tourist arrivals further increased to 20.14 million⁷, demonstrating the robust recovery in travel and tourism activities. Hence, it is anticipated that people’s general desire to travel will continue to drive travel and tourism activities and subsequently support the demand for hotels.

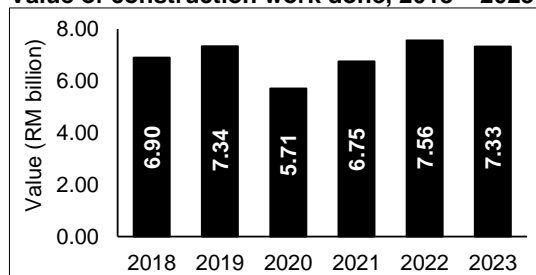
► **Government initiatives to encourage tourism activities**

To boost the travel and tourism industry, the Government introduced initiatives to encourage travel and tourism activities to revive the tourism industry and support the country’s economy. Under the PEMERKASA stimulus package, a personal income tax relief of up to RM1,000 was given to Malaysian citizens who incur expenses for domestic tourism between 1 March 2020 and 31 December 2021 and this tax relief was further extended to 31 December 2022 under Budget 2022. Further, effective 1 May 2022, vaccinated international travellers are allowed to enter Malaysia without having to perform COVID-19 screening test prior to arrival. Furthermore, under Budget 2023, the Government has allocated RM250 million to boost the tourism sector, of which RM115 million will be allocated as matching grants to collaborate with the tourism and culture industry. In line with the normalisation of travel and tourism activities since 2023, the Government through Budget 2024, had announced the allocation of RM250 million to boost promotion and tourism activities, as well as RM120 million to maintain and conserve heritage sites to promote tourism activities. As such, travel and tourism activities are expected to increase in Malaysia including in Sabah. The increase in travel and tourism activities as well as the implementation of these initiatives are expected to drive the demand for hotels in the long term.

3 THE CONSTRUCTION INDUSTRY IN SABAH

The construction industry is largely influenced by the country’s economic development as well as the growth of the property market. Growth in the property market generally results in increased demand for construction activities as more properties are built to cater to market needs. The performance of the construction industry in Sabah, measured by the value of construction work done, increased from RM6.90 billion in 2018 to RM7.33 billion in 2023 at a CAGR of 1.22%, demonstrating growing demand for construction activities. The value of construction work done decreased by 22.21% in 2020 due to the disruptions in construction activities

Value of construction work done, 2018 – 2023



Sources: DOSM, SMITH ZANDER

⁷ Source: Tourism Malaysia.

⁸ Source: The Malay Mail.

8. IMR REPORT (Cont'd)**SMITH ZANDER**

arising from the COVID-19 pandemic. The value of construction work done recovered by 18.21% YOY to RM6.75 billion in 2021. In 2022, the value of construction work done further increased by 12.00% YOY to reach RM7.56 billion, surpassing the pre-COVID value of RM7.34 billion in 2019. As construction activities resume with improved economic conditions and eased COVID-19 restrictions, it is likely that there will be growth in the property market and construction activities, full particulars of which is discussed in *Chapter 1 – The Residential Property and Shop Market in Sabah*.

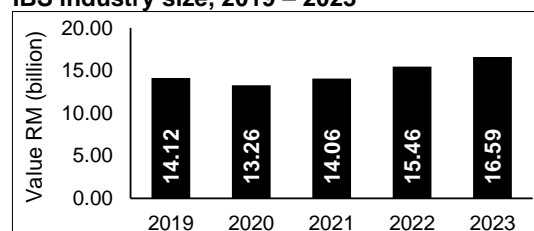
The construction industry is dependent on foreign workers due to the limited supply of local workers. Should the Government amend their policies and impose any restrictions and/or limits on the number of foreign workers to be employed (such as the hiring freeze during the COVID-19 pandemic), the construction industry may be adversely affected. This is because a shortage of workers will likely affect construction progress and project delivery schedules. Such employment risk is also extended to the home countries of the foreign workers should there be changes in their employment policies.

In addition, the construction industry is exposed to fluctuations in prices and shortages of construction materials. Certain construction materials such as steel materials are commodities and their prices are subject to global supply and demand conditions. Any increase in the prices of construction materials will increase the overall construction cost and affect the construction budget and profit margin of industry players. Further, shortages in construction materials may also affect the timely completion of construction works, resulting in increased cost due to prolonged construction period.

IBS Industry

IBS is a construction method that utilises techniques, products, components and/or building systems which involve off-site prefabrication of components and onsite installation. With IBS construction techniques, a building is constructed by positioning and assembling the prefabricated IBS components. According to the Construction Industry Development Board, IBS construction techniques are generally categorised into precast concrete system, metal framing system, formwork system, timber framing system, blockwork system and other IBS systems. The adoption of IBS is aimed at increasing productivity through speeding up construction processes to shorten project completion durations, improving quality with the use of prefabricated components manufactured in a controlled environment off-site, and to lower construction costs.

The performance of the IBS industry in Malaysia (i.e. measured by the manufacturing sales value of precast concrete, cement or artificial stone articles for use in construction; prefabricated structural components for building or civil engineering of cement, concrete or artificial stone; and other articles of concrete, cement and plaster) declined by 6.09% YOY from RM14.12 billion in 2019 to RM13.26 billion in 2020 due to the adverse economic impact arising from the COVID-19 pandemic. Nevertheless, the IBS industry recorded a

IBS industry size, 2019 – 2023

Sources: DOSM, SMITH ZANDER

positive recovery of 6.03% to RM14.06 billion in 2021, and had further expanded by 9.96% and 7.31% YOY in 2022 and 2023 respectively. This illustrates a growth at a CAGR of 4.11% between 2019 and 2023. The growth of the IBS industry is primarily driven by the growth of the construction industry and increased adoption of IBS in construction activities. In 2020, the adoption of IBS in government projects had achieved 85.30%, while the adoption of IBS for private projects above RM50 million had achieved 41.00%.⁹

To further drive the adoption of IBS, the Government continues to provide various incentives such as tax allowances and funding to encourage companies that produce IBS components. Under Budget 2021, companies which produce at least 3 basic components of IBS are eligible to apply with MIDA for the Investment Tax Allowance (i.e. a tax allowance of 60.00% is given on qualifying capital expenditure incurred within 5 years in which this allowance can be set off against 70.00% of statutory income for each year of assessment), effective 1 January 2021 to 31 December 2025.¹⁰ Furthermore, under Budget 2022 and 2023, the Government had introduced the IBS Promotion Fund (2.0) worth RM200 million and RM165 million respectively, through SME Bank to fund SMEs in the industry of up to RM10 million each for a tenure of up to 15 years each.¹¹ Under Budget 2024, an additional RM70 million was allocated to the fund.¹² The increased adoption of IBS in construction activities to shorten construction duration and to reduce construction costs, coupled with Government-driven initiatives to promote the use of IBS, are expected to further drive the continuous growth of the IBS Industry.

⁹ Source: Construction Industry Development Board. Latest available information as at the date of research completion.

¹⁰ Source: Budget 2021 - Ministry of Finance Malaysia.

¹¹ Sources: Budget 2022 and Budget 2023 – Ministry of Finance Malaysia.

¹² Sources: Budget 2024 – Ministry of Finance Malaysia.

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTUS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

9.1.1 Our Group is dependent on LPPB to sustain our pipeline of projects

Since 2010 and up to LPD, we have been providing our design and build construction services primarily to LPPB whereby LPPB is the state authority in Sabah involved in overseeing housing and township development, as well as the development of affordable housing in Sabah. Through the provision of such services, LPPB is the land and project owner of the development. This is different from our Group's property development activities where we are the land and project owner of the development. Further details on the arrangement between our Group and LPPB on the provision of design and build construction services are as set out in Section 7.3.1.1.

Our Group secures projects from LPPB by tender, and bids through the submissions of Technical and Financial Proposals to LPPB. LPPB publishes tender invitations on its official website which includes the details and types of lands available for development. Our Group responds to the tender invitations by submitting our proposals to LPPB for their consideration. As such, from a pool of bids that may be submitted by several other property developers in Sabah, LPPB has the authority to decide on the party for which the development project will be awarded to. A majority of the projects which contributed to our Group's revenue during FYE 2020 to 2023 were design and build construction services contracts awarded by LPPB. In addition, on-going and future projects slated up to 2025 amounting to RM1.4 billion in GDV are also projects awarded by/in participation with LPPB, save and except for the Ayuria Place project, which is an acquisition of lands from a third-party vendor for a purchase consideration of approximately RM74.0 million. In the event that there is a delay in the completion of projects with LPPB, our Group will be liable to pay the agreed liquidated damages stipulated in the respective sale and purchase agreements entered into between our Group, LPPB and the buyers of the units of the particular project. Our Group will also be required to indemnify and keep LPPB harmless against all such claims, loss and damages, if any. Between 2015 to 2019, we had made payments for LAD claims to 81 buyers of Taman La Gloxinia Phase 2A and 2C for the delay in the completion of the project, in which the payment collectively amounted to RM535,418.95 and was fully borne by our Group. Save as disclosed above, since 2010 and up to LPD, we have not paid any LAD claims for our design and build construction projects with LPPB as we have not experienced any delays in the completion of these projects.

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

9. RISK FACTORS (Cont'd)

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

We are subject to risks of possible delays in completing our projects. Additionally, any extensions of time in the completion of projects may result in project cost overrun and attract negative feedback from the consumer market. Prolonged interruptions or delays in completing a project may result in legal implications such as property buyers claiming LAD from us which may affect our revenue and profitability as well as cash flows. In the event of a delay in delivery of vacant possession, LAD claims made by buyers to our Group are calculated daily based on 8.0% per annum on the purchase price of the buyer's unit. Further, our Group will also be required to indemnify and keep LPPB harmless against all such claims, loss and damages, if any. While we do not have exact back-to-back LAD claim arrangements with our contractors in respect of any LAD claims made by buyers, there are LAD clauses in the respective contractors' contracts which are enforceable by us in the event of any delays directly attributable to the works of the contractors. Such LAD amounts are derived based on the contract sum and thus differ from contract to contract.

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

In addition, delays in the completion of the projects may also arise from environmental factors such as natural disasters like landslides and flooding; and/or sudden crisis such as the outbreak of the COVID-19 pandemic. Details on the interruptions to our business operations arising from the COVID-19 pandemic are as set out in Section 7.5.1. Any implementation or tightening of movement restriction arising from the outbreak of diseases which results in the suspension of operations and/or reduction of workforce may affect our construction progress.

We have not paid any LAD claims in FYE 2020 to 2023 and up to LPD as we have not experienced any delays in the completion of our design and build construction projects and property development projects (i.e., late delivery of vacant possession to home buyers).

Nevertheless, there can be no assurance that there would not be any delays in the completion of our future projects due to unforeseen circumstances which may result in property buyers imposing LAD claims that would adversely impact our Group's future earnings and reputation.

9.1.3 We are subject to potential liability claims for construction defects during the defect liability period

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

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

9. RISK FACTORS (Cont'd)

9.1.4 Our Group is subject to risks associated with joint ventures

As at LPD, our Group has a joint development project with LPPB in relation to the development of The Logg. Further details on our joint development arrangement with LPPB for The Logg is as set out in Section 7.3.2.2(a). As part of our Group's strategy, we will continue to, from time to time, enter into property development and property investment projects through the formation of joint ventures.

LPPB or our future joint venture partners may, in the future, have economic or business interests or goals that are not aligned with our Group; experience financial or other difficulties; be unable or unwilling to fulfil their contractual obligations such as not complying with requests in making payments during future capital calls; or take actions contrary to our instructions, requests, policies or objectives, amongst others. In these situations, disputes may arise between our Group and our joint venture partner(s) that may not be resolved amicably.

In certain cases, disputes may arise in respect of reserved matters identified in our joint venture agreements. As reserved matters require the consent of all the partners of the joint venture agreement to be obtained before action may be undertaken by the jointly controlled entity, any disputes between the joint venture partners would result in a deadlock where the matter in dispute will not be implemented.

In certain cases, where the deadlock cannot be resolved even after repeated attempts by the joint venture partners, this may result in one joint venture partner acquiring the shares of the other joint venture partner or a winding-up of our jointly controlled entity, bringing the joint venture to an end. The process of resolving the disputes may result in delays and interruptions to the completion of the property projects and thus, potentially affecting our reputation in the market.

9.1.5 Our business is capital intensive and is dependent on our ability to secure adequate financing

Our design and build construction projects and property development projects require substantial capital investment and as such, may cause us to generate negative operating cash flow when the cash outlay for land acquisition, project development and/or construction expenditures during a particular period, after taking into account changes in other working capital items, exceeds the cash inflow from property sales over the same period.

The availability of adequate financing is crucial to our ability to acquire land and/or to complete the development and construction of our design and build construction projects and property development projects according to plan. We rely on internally generated funds as well as external borrowings such as trade facilities, bank overdrafts, term loans and bridging loans to partially finance our working capital. If we are unable to secure adequate credit facilities at competitive rates for the abovementioned requirements, our cash flows, operations, growth and expansion plans may be adversely affected.

Socio-economic conditions with negative impacts, such as by the COVID-19 pandemic or economic downturn, may cause financial institutions to be more cautious in lending as businesses are expected to be impacted by dampened consumer sentiment and change in spending habits. This may affect our Group's borrowings in which we may not be able to secure credit facilities from financial institutions or that the credit facilities secured may not be sufficient to fund our purchases of landbank as well as construction costs.

Although our borrowings were not affected in FYE 2020 to 2023, there can be no assurance that it will not be affected in the future as a result of deteriorating market conditions or adverse socio-economic conditions.

9. RISK FACTORS (Cont'd)

9.1.6 Our Group is dependent on our Executive Directors and key senior management team

The success of our Group is dependent on the experience, industry knowledge and domain expertise of our Executive Directors and key senior management. Our Managing Director / Chief Executive Officer, Loke Theen Fatt has 46 years of experience in the property development and construction industries. Our Executive Directors, Stella Loke Pei Wen and Wilson Loke Choon Syn have 13 years and 12 years of experience respectively in the property development and construction industries.

Our Managing Director / Chief Executive Officer and Executive Directors have in-depth knowledge of our operations and is supported by our key senior management, comprising individuals who each have significant relevant experience in the property development and construction industries as well as within their respective field of expertise. Further details on the experience of our Executive Directors and key senior management are as set out in Sections 5.1.2 and 5.3.3.

Our Group's success is dependent on the continued service of our Executive Directors and key senior management. Due to their in-depth knowledge of our operations, as well as experience in the property development and construction industries, they are critical to the overall management and operations of our business and projects, our corporate culture and our strategic direction.

The success of our Group's businesses is further dependent on recruiting, retaining and developing highly skilled and competent people of all levels in our organisation. As such, the loss of any Executive Director and any of our key senior management simultaneously or within a short time, and if we are not able to replace or attract suitable talents in a timely manner, may create unfavourable or material impact on our Group's operations and the future growth of our business, which may ultimately affect the results of operations, performance and prospects of our Group.

9.1.7 Our construction works are dependent on the services of our subcontractors for timely completion and quality of our projects

While our Group undertakes the construction works, including construction planning and management, site preparation and earthworks and civil construction works, we may also outsource the said construction works to subcontractors as and when required. Our Group also engages subcontractors to carry out other aspects of construction works which our Group does not provide, such as groundworks and car park construction, metal and roofing works, interior aluminium and window works, painting and ceiling works, piling works, M&E works, sewerage works, tiling works, substation works and landscaping works.

Subcontractors are appointed following the shortlisting of candidates based on the project requirements, assessment of tenders submitted by the subcontractors, as well as our past working experience and relationship with the subcontractors. Upon finalisation of pricing, scope of works and bills of quantities, we will enter into formal contracts with the successful subcontractors.

9. RISK FACTORS (Cont'd)

For FYE 2020 to 2023, our total subcontractor costs accounted for approximately 58.1%, 54.2%, 68.7% and 61.4% of our Group's total purchases, and we had engaged 18, 21, 32 and 70 subcontractors respectively. Notwithstanding our formal contractual relationships with our subcontractors, any failure of our subcontractor to fulfil their contractual obligations may lead to damages and penalties against our Group if we are unable to deliver vacant possession to end buyers in accordance to the agreement and/or pre-agreed schedule. Our design and build construction projects and property development projects may also experience delays and cost overruns, or poor-quality work attributed to our subcontractors. For FYE 2020 to 2023, our Group has not encountered incidences where our subcontractors failed to fulfil their contractual obligations which have had an adverse impact on our business operations and financial results.

In addition, our subcontractors are also subject to the rules and regulations governed by regulatory bodies such as CIDB and the Immigration Department of Malaysia (e.g. in relation to the employment of foreign workers) in the local construction industry. The non-compliance of these rules and regulations by the subcontractors may affect their renewal of relevant registrations or licences and/or may even lead to revocation of their registrations or licences. Consequently, this may adversely affect the construction progress of our design and build construction projects or property development projects. There is also no assurance that our Group will be able to appoint replacement subcontractors in a timely manner or at a cost that is favourable to our Group to complete the construction works which may, in turn, affect our business operations and financial performance.

9.1.8 Our Group is subject to fluctuations in the prices and shortages of construction materials

At the start of every project, we estimate our GDC based on factors such as land premium, cost of construction materials, borrowing costs and labour cost. The cost of construction materials is estimated based on quotations from our suppliers and subcontractors as well as our own cost estimations.

Our construction materials consist mainly of concrete and related products, hardware and related products, steel products, interior fitting and other construction materials which are required in our construction activities. As the cost of construction materials, in particular aggregates and crusher run, piles, ready-mix, cement and steel products may fluctuate during the construction period, we are exposed to the risk of such fluctuations in construction costs during the construction period. As properties are sold prior to their completion, we will not be able to pass any increase in costs to property buyers. As such, any increase in the cost of construction will increase our cost of sales and reduce our profit margin.

In FYE 2021 and 2022, there was a substantial increase in the prices of steel products and cement. This resulted in the increase in our construction costs which had, in turn, lowered our Group's profit margin. Although this had not affected the construction progress of our design and build construction projects and property development projects, there is no assurance that there will be no delays and interruptions to the completion of our construction works if similar incidences occur in the future. Further, if any delays are prolonged and we are unable to deliver the vacant possession to end buyers according to schedule, it may result in end buyers claiming LAD from us which may affect our profitability as well as cash flows.

In addition, we are dependent on the continuous supply of construction materials to carry out construction works. Shortages in construction materials may delay the timing of completion of our design and build construction projects or property development projects. There is no assurance that our Group will be able to source for similar construction materials from other suppliers in a timely manner or at a cost that is favourable to our Group to complete the construction works according to schedule. This will ultimately affect our Group's business, cash flow and financial performance.

9. RISK FACTORS (Cont'd)

9.1.9 Our operations are reliant on certain approvals, licences and permits, and we are also exposed to the risk of non-compliances

(a) Reliance on certain approvals, licences and permits for our operations

We are primarily involved in design and build construction services and property development activities which are supported by our in-house manufacturing of IBS components, of which our operations are bound by the rules and regulations set by the governing authorities such as the Ministry of Housing and Local Government, and CIDB who governs the registration of property developers and contractors respectively.

Under the CIDB Act, it is mandatory for all contractors who carry out or complete, undertake to complete any construction works or hold himself as a contractor in Malaysia to be registered and hold a valid certificate of registration issued by the CIDB. There are a total of 7 registration grades that determine the capacity of a contractor in tendering for the value of construction works, with Grade G7 being the registration grade that allows the contractor to tender for construction works that are of unlimited value and operate throughout Malaysia. We are currently a Grade G7 contractor registered with the CIDB which allows us to participate in tenders or undertake construction works of unlimited value. The Grade G7 registered contractor certificate issued by the CIDB is crucial to the continuity of our construction operations.

Housing developers with housing development in Sabah are regulated under the HDE 1978. The license issued to the housing developers thereunder may also be suspended or revoked and fines may be imposed if the housing developer carries on its business in a manner detrimental to the interest of the purchasers or to any member of the public or contravenes any of the provisions of HDE 1978.

The list of all our major approvals, licences and permits obtained for our business operations is set out in Section 6.7. Save for our manufacturing licence issued by MITI which is valid until it is revoked, the validity of these approvals, licences and permits are subject to renewal and in the event that we fail to comply with the rules and regulations issued by the governing authorities, our approvals, licences and permits in relation to our business operations may be revoked, suspended or not renewed. Similarly, any breach of these rules and regulations can result in penalties, fines and/or potential prosecution against us. Such revocation, suspension and/or non-renewal of our approvals, licences and permits will affect our ability to continue our business operations and hence affect our financial performance. Further, there can be no assurance that future applications by our Group for renewals of approvals, licences and permits will be approved, especially if there are changes to the present rules, guidelines, regulations and/or policies.

(b) Risks of non-compliance as we carry out construction activities

Being involved in construction activities, our Group is bound by the laws and regulations relating to workplace safety and workers' health enacted or issued by the government bodies. The primary legislation and regulations that are applicable to our daily construction works are the Occupational Safety and Health Act 1994, the Factories and Machinery Act 1967, the Environmental Quality Act 1974 and the CIDB Act.

9. RISK FACTORS (Cont'd)

We are obliged to ensure that a healthy and safe working environment is provided especially at our construction sites. The Health, Safety and Environment ("HSE") risks include any accidents and injuries caused during the course of construction activities. Any failure to comply with the relevant HSE laws and regulations may result in penalties and/or closure of construction sites. In FYE 2020 to 2023 and up to LPD, our Group has not breached any workplace HSE matters which have adversely impacted our business operations and our existing operations are in compliance with the relevant laws and regulations.

In the event of severe accidents or injuries, it may lead to negative publicity of our Group, and/or liabilities and legal proceedings filed against our Group, and/or suspension of our licences, which will adversely impact our reputation, business operations and financial performance. Our operations may also be affected due to changes in HSE laws and regulations and the compliance with new laws and regulations may impose a significant cost to our Group. The non-compliance encountered by our Group in relation to our construction activities in the past 10 years are as set out in Section 6.11.

9.1.10 We may be involved in legal and other proceedings arising from our operations from time to time

We may be involved from time to time in disputes with various parties such as landowners, suppliers, subcontractors, consultants, authorities and other parties involved in the course of carrying out our provision of design and build construction services and property development activities, as well as with customers in the sale of properties. Costs, time and management resources would have to be diverted towards defending such claims should they arise. Such disputes and claims may lead to legal and other proceedings, administrative proceedings against our Group, and unfavourable decrees issued against our Group may cause us to suffer additional costs, delays and/or financial losses. Further details on our Group's litigation cases are as set out in Section 12.7.

We are unable to give any assurance that whenever disputes and claims arise, they will be settled on terms which are favourable to our Group or if such disputes and claims result in litigation or arbitration, such judgement, order or award will not adversely affect our business operations, financial condition, prospects and reputation.

9.1.11 Our Group may achieve lower than estimated GDV for our projects

The GDV of the projects developed by our Group is estimated based on market conditions as at the date of valuation. However, certain assumptions may ultimately prove to not be reflective of the prevailing market conditions at the point of sale of our properties. These assumptions include the demand for our properties and selling prices. Any unfavourable change in the basis of certain forecasts, projections and conditions of the property market may result in our Group not being able to realise our projected GDV and in turn, may have a material adverse impact on our Group's business, results of operations and prospects.

9. RISK FACTORS (Cont'd)

We have engaged, and will continue to engage, independent valuer(s) to value our on-going and future design and build construction projects and property development projects as and when required. The valuation certificates set out in Section 15 were made on the basis of certain forecasts, projections and conditions of the property market where our developments are located, prevailing at a particular point in time.

These conditions may change over time, as property values are subject to, amongst others, factors affecting supply of and demand for properties, the rate of economic growth of the country and interest rates. In particular, the uncertainties brought about by the COVID-19 situation have dampened market sentiment. According to the IMR Report, in 2020, the value of property transactions for both residential properties and shops in Sabah decreased by 26.3% and 41.7% respectively; while the volume of property transactions for residential properties and shops decreased by 25.9% and 41.9% respectively. The decline was due to the adverse economic impact arising from the COVID-19 pandemic in 2020 as the Government imposed nationwide movement restrictions to curb the spread of the COVID-19 virus had impacted economic activities and business operations. The property market in Sabah registered a recovery in 2021 whereby the value of property transactions for both residential properties and shops increased by 37.7% and 38.1% respectively; while the volume of property transactions for residential properties and shops increased by 20.7% and 57.9% respectively. The economy continued to grow with the national GDP expanding by 8.6% year-on-year in 2022. Similarly, the value of property transactions for both residential properties and shops in Sabah also recorded a year-on-year growth of 17.7% and 18.5% respectively in 2022. Hence, our Group is exposed to the risk that any future property launches may be impacted by adverse changes in market sentiment.

9.1.12 Our Group may not be able to acquire suitable landbanks to sustain our business operations and financial performance

As a property developer for our Group's own property projects, we rely on existing landbank as well as our ability to identify and acquire suitable landbank with development potential to deliver sustainable business operations and financial performance. Hence, we have to continuously identify and acquire suitable landbank for future development. As set out in Section 7.17.1, we have identified a parcel of land in Tuaran and have commenced negotiations with the landowner to acquire the land. Nevertheless, the acquisition of the said land at favourable terms (including but not limited to a pricing at commercially viable prices) and/or completing such acquisitions may be subject to factors beyond our control. Thus, there is no assurance that we will be able to successfully complete the acquisition of the said landbank. In such circumstances, we may need to seek for other acquisition and additional time may be required to do so.

Further, there can be no assurance that we will be able to continuously identify and acquire suitable landbank in strategic locations at commercially viable prices, or to secure opportunities to jointly develop land with landowners on commercially viable terms and with good development potential. Failure to do so would impair our ability to launch new property development projects, which in turn is likely to have a material and adverse effect on our Group's business, results of operations and prospects.

9. RISK FACTORS (Cont'd)

9.1.13 We may not be able to effectively manage our growth or successfully implement our business strategies

We intend to expand our Group's property development business through the acquisition of landbank for future projects in Sabah, further strengthen our market presence as an established property developer in Sabah, expand the production capability of our casting activities with the addition of a new IBS production line to produce hollow core slabs to supplement our existing range of IBS components manufactured, and upgrade our software and systems to further enhance our operational efficiency. Please refer to Section 7.17 for further details on our future plans and business strategies.

The success of achieving and implementing our business strategies relies on market conditions, sufficient financing resources and the efficiency of our business operations. There is no assurance that our business strategies will be successful or that the successful implementation of our business strategies will improve our earnings. Any failure to manage our business growth or execute our business strategies successfully may lead to adverse material effect on our business operations and financial performance.

In addition, our Group's on-going project, namely The Logg, comprises a hotel and commercial buildings (i.e. 2 levels of retail space featuring 45 units of retail outlets, 12 kiosks, 4 outdoor alfresco units as well as 3 levels of purpose-built offices). Our Group will be the owner of the hotel, Avani Luyang @ The Logg wherein our Group had engaged MHG, a hotel management service provider, to manage the operations of Avani Luyang @ The Logg. Further, our Group will also be the owner of the commercial building and will be involved in managing the operations and tenancy of the commercial building. The intention to own, manage and/or operate a hotel and a commercial building is part of our Group's plan moving forward to diversify our business activities. Nevertheless, this will subject our Group to risks associated with venturing into a new business and there is no assurance that our new venture will be successful or that the new venture will improve our earnings.

9.1.14 Our Group may be exposed to interest rate risks from exposure to borrowings

Our Group has been relying, and is expected to continue relying, on external debt financing to finance a substantial part of our design and build construction projects and property development projects as well as to fund our business growth. Our gearing ratio was 0.4, 0.5, 0.4 and 1.3 times in FYE 2020 to 2023 respectively. As at FYE 2023, the bank borrowings of our Group stood at approximately RM173.2 million, with interest rates ranging from 3.9% to 8.3% per annum. If we are unable to secure adequate debt financing at competitive rates for our project requirements, our cash flows, operations, growth and expansion plans may be adversely affected.

We are also exposed to fluctuations in interest rates. Any future increase in interest rates will increase our Group's borrowing costs which may reduce our margins. These may result in a material adverse effect on our Group's cash flows and profitability. Higher interest rates may also affect our Group's planning and decision to obtain additional borrowings to fund new design and build construction projects and property development projects which may lead to delays in carrying out the development and construction of the projects.

In addition, the agreements for credit facilities may contain covenants which may restrict our future operating and financing flexibility and a breach of such covenants may result in the termination and/or enforcement of securities granted for the relevant credit facilities and/or cross default of all our credit facilities. Separately, there is also a risk of simultaneous demand for immediate repayment on our outstanding indebtedness; or tightening of credit facilities due to deteriorating market conditions arising from economic, financial, political and other reasons.

9. RISK FACTORS (Cont'd)

9.1.15 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

Due to the nature of our business which entails risks such as exposure to construction site accidents and fire, we maintain insurance at levels that are customary in our industry to protect against various losses and liabilities arising from our design and build construction projects, property development projects, material assets and our employees. The insurance policies maintained by our Group include contractors all risk policy (i.e. including fire, flood, theft and strike riot/civil commotion), workmen compensation policy, burglary insurance, fire insurance, motor insurance, and equipment and machinery insurance.

However, our insurance may not be adequate to cover all losses or liabilities that might be incurred in our operations. Moreover, we will be subject to the risk that, in the future, we may not be able to maintain and/or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it may have a material adverse effect on our business, financial condition and results of operations. In FYE 2020 to 2023, our Group has not encountered incidences that have resulted in material insurance claims being submitted on our insurance policies.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 Our Group is subject to the prevailing market conditions in the property market in Malaysia and specifically in Sabah

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

The performance of the property market and value of properties in Malaysia and Sabah are affected by amongst others, the supply and demand of properties, rate of economic growth, interest rates as well as inflation in the property market. Other factors beyond our control such as changes in political environment or sudden outbreak of diseases (e.g. the outbreak of the COVID-19 pandemic in 2020) may also impact economic activities in Malaysia.

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

There can be no assurance that the Malaysian economy will continue to grow, the value of properties will not be affected, interest rates or inflation will not rise and consumer spending power will not be affected in the future to support the demand for properties. Weak market sentiment as a result of adverse economic conditions may adversely affect the overall performance of the property market and value of properties, which may in turn affect the demand and value of the properties of our design and build construction projects and property development projects. Further, weak market sentiment may cause delays in the launching of our planned design and build construction projects and property development projects which may, in turn, adversely affect our Group's business, cash flow and sales performance. There can also be no assurance that our Group will be able to continuously benefit from future growth in the property market in Sabah.

9. RISK FACTORS (Cont'd)

9.2.2 Our Group is subject to the risk of unfavourable changes in regulatory policies affecting the performance of the property market and value of properties as well as political risk

The property market is subject to regulatory policies in Malaysia. Any adverse changes in regulatory policies in relation to the property market such as housing (e.g. introduction of regulatory measures to curb speculative investments), land and development policies, and prohibition of foreigners in purchasing certain properties in Malaysia may adversely affect the performance of the property market and value of properties in Malaysia. In addition, any restrictive policy changes by BNM such as upward changes in the overnight policy rate by BNM which increases interest rates for housing loans, and reduced loan-to-value ratios will subsequently restrict the purchasing ability of buyers. This would likely have a negative impact on consumer sentiment and purchasing power, and dampen overall demand for properties which may in turn affect the demand for the properties offered through our Group.

Any introduction of regulatory measures which dampen consumer sentiment or cause declines in value of properties may adversely affect our development planning decisions which include the types of property to develop and selling price of the properties, or may cause a delay in the timing of the launch of the planned property development projects, and ultimately will adversely affect our Group's business, cash flow and sales performance. As such, there can be no assurance that any future unfavourable changes in regulatory policies will not adversely affect our Group's business and results of operations in the future.

Further, any adverse changes in political conditions such as political uncertainties, war, terrorism activities and riots may adversely affect our Group's operations and financial prospects. There is no assurance that adverse political condition, which are beyond our control, will not adversely affect our Group's business.

9.2.3 We are exposed to competition within the property development market

Our Group competes with property developers ranging from privately owned companies to large public listed companies in Malaysia, primarily with property developers with presence in Sabah. These property developers may be involved in the development of various types of buildings such as residential, commercial, industrial and mixed development. Our competitors may have greater resources than us or have specialised expertise in certain segments. We also compete with our competitors in terms of location, price and rebates, facilities, surrounding amenities and connectivity.

Competition among property developers may intensify, possibly resulting in higher cost of acquiring new landbank, and higher cost to attract or retain experienced employees which will adversely affect our financial performance and prospects. Therefore, there can be no assurance that we will be able to continuously remain competitive and to sustain our competitive edge over the long term. Competition from other property developers may reduce our market share thereby affecting our market position and financial performance.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop or continue to be developed upon or subsequent to our Listing.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing.

9. RISK FACTORS (Cont'd)

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occur:

- (a) the selected investors fail to subscribe for their portion of our IPO Shares;
- (b) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (c) we are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, 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 witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.4 OTHER RISKS

9.4.1 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

Our Promoters will collectively hold approximately 74.4% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have a deciding vote on the outcome of (i.e. to approve or reject) certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisitions and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2020 to 2023 and up to LPD:

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 January 2024 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Chuan Soon Autocare	KTISB	Stella Loke Pei Wen	Voo Yin Chung, the spouse of Stella Loke Pei Wen, has 50.0% interest in Chuan Soon Autocare Stella Loke Pei Wen, who is our Promoter and Executive Director	Motor vehicle repair and maintenance	(254)	⁽¹⁾ 0.2	(192)	⁽¹⁾ 0.2	(269)	⁽¹⁾ 0.2	(429)	⁽¹⁾ 0.3	(65)	⁽⁹⁾ N/A
Chuan Soon Autocare	LPSB	Stella Loke Pei Wen	Voo Yin Chung, the spouse of Stella Loke Pei Wen, has 50.0% interest in Chuan Soon Autocare Stella Loke Pei Wen, who is our Promoter and Executive Director	Motor vehicle repair and maintenance	-	-	-	-	-	-	(45)	⁽¹⁾ <0.1	(3)	⁽⁹⁾ N/A
Chuan Soon Autocare	KTIDSB	Stella Loke Pei Wen	Voo Yin Chung, the spouse of Stella Loke Pei Wen, has 50.0% interest in Chuan Soon Autocare	Motor vehicle repair and maintenance	-	-	-	-	-	-	(20)	⁽¹⁾ <0.1	(2)	⁽⁹⁾ N/A

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 January 2024 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
			Stella Loke Pei Wen, who is our Promoter and Executive Director											
Primo Auto	KTISB	Stella Loke Pei Wen	Voo Yin Chung, the spouse of Stella Loke Pei Wen, has 50.0% interest in Primo Auto	Purchase of motor vehicle	-	-	-	-	-	-	(190)	⁽¹⁾ 0.1	(93)	⁽⁹⁾ N/A
			Stella Loke Pei Wen, who is our Promoter and Executive Director											
				Sales of motor vehicle	-	-	-	-	-	-	50	⁽¹⁾ <0.1	-	-
Loke Pei Lee	KTISB	Loke Pei Lee	Loke Pei Lee is our Director of Management. She is also the director of our subsidiaries	Purchase a unit of Parkhill (P25-6) The Logg), Jalan Lintas, from KTISB ⁽³⁾	-	-	-	-	-	-	(175)	⁽¹⁾ 0.1	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 January 2024 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Chin Mee Leen	Landmark Property	Chin Mee Leen	Chin Mee Leen is our Promoter and substantial shareholder. She is also the director of our subsidiaries	Rental of premises at Lot 221, Taman Nelly 9 Phase 4 Shoplot, Jalan Nountun Kolombong, 88844 Kota Kinabalu, Sabah to Landmark Property ⁽⁴⁾	(42)	⁽²⁾ 0.4	(42)	⁽²⁾ 0.4	(44)	⁽²⁾ 0.4	(52)	⁽²⁾ 0.4	(16)	⁽⁹⁾ N/A
Chin Wah	KTISB	Chin Mee Leen	Chin Mee Leen is the sibling of Chin Mee Leen Chin Mee Leen is our Promoter and substantial shareholder. She is also the director of our subsidiaries	Rental of premises at Lot 220, Taman Nelly 9 Phase 4 Shoplot, Jalan Nountun Kolombong, 88844 Kota Kinabalu, Sabah to Landmark Property ⁽⁵⁾	-	-	-	-	(3)	⁽²⁾ <0.1	(36)	⁽²⁾ 0.3	(12)	⁽⁹⁾ N/A

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 January 2024 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Chin Mee Leen	Landmark Property	Chin Mee Leen	Chin Mee Leen is our Promoter and substantial shareholder. She is also the director of our subsidiaries	Rental of premises at Lot 9, Ground Floor, Block A, La Gloxinia Avenue, Kinarut South, Papar, Sabah ⁽⁶⁾	(18)	⁽²⁾ 0.2	(18)	⁽²⁾ 0.2	(3)	⁽²⁾ <0.1	-	-	-	-
				Rental of premises at Lot 10, Ground Floor, Block A, La Gloxinia Avenue, Kinarut South, Papar, Sabah ⁽⁶⁾	(24)	⁽²⁾ 0.2	(24)	⁽²⁾ 0.2	(4)	⁽²⁾ <0.1	-	-	-	-
Loke Theen Fatt	KTILandmark	Loke Theen Fatt	Loke Theen Fatt is our Promoter, substantial shareholder and Managing Director / Chief Executive Officer	Repayment from KTI Landmark to Loke Theen Fatt	-	-	-	-	-	-	(9)	⁽¹⁾ <0.1	-	-
	KTISB			Repayment from Loke Theen Fatt to KTISB	(60)	⁽¹⁾ <0.1	-	-	(64)	⁽¹⁾ <0.1	-	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 January 2024 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	KTID			Repayment from KTID to Loke Theen Fatt	(2,100)	⁽¹⁾ 1.9	-	-	(118)	⁽¹⁾ <0.1	(62)	⁽¹⁾ <0.1	-	-
	KTI Hotel & Resort			Advances from Loke Theen Fatt to KTI Hotel & Resort	-	-	-	-	10	⁽¹⁾ <0.1	-	-	-	-
				Repayment from KTI Hotel & Resort to Loke Theen Fatt	-	-	-	-	-	-	(10)	⁽¹⁾ <0.1	-	-
Chin Leen	Mee KTILandmark	Chin Leen	Mee	Chin Mee Leen is our Promoter and substantial shareholder. She is also the director of our subsidiaries	-	-	-	-	-	-	(9)	⁽¹⁾ <0.1	-	-
	KTISB			Advances from Chin Mee Leen to KTISB	-	-	1,545	⁽¹⁾ 1.2	-	-	-	-	-	-
				Repayment from KTISB to Chin Mee Leen	-	-	-	-	(1,465)	⁽¹⁾ 1.1	(77)	⁽¹⁾ <0.1	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 January 2024 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	Landmark Property			Advances from Chin Mee Leen to Landmark Property	377	(1)0.3	-	-	-	-	-	-	-	-
				Repayment from Landmark Property to Chin Mee Leen	-	-	(125)	(1)<0.1	(1,585)	(1)1.1	(939)	(1)0.7	-	-
	KTI Hotel & Resort			Repayment from KTI Hotel & Resort to Chin Mee Leen	-	-	-	-	(10)	(1)<0.1	-	-	-	-
Wilson Loke Choon Syn	KTID	Wilson Loke Choon Syn	Wilson Loke Choon Syn is our Promoter and Executive Director	Disposal of vacant land known as Lot No. 82, Taman Lavender ⁽⁷⁾	-	-	-	-	-	-	257	(1)0.2	-	-
				Disposal of vacant land known as Lot No. 83, Taman Lavender ⁽⁷⁾	-	-	-	-	-	-	257	(1)0.2	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 January 2024 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Yap Kim Leng	KTID	Yap Kim Leng	Yap Kim Leng was our substantial shareholder ⁽⁸⁾	Disposal of a detached house plot at Lot 203, Taman Lavender, Off Jalan Lintas, 88300 Kota Kinabalu, Sabah ⁽⁸⁾	-	-	-	-	-	-	2,200	⁽¹⁾ 1.6	-	-

Notes:

- (1) Calculated based on our Group's NA for each of the respective financial years.
- (2) Calculated based on our Group's administrative expenses for each of the respective financial years.
- (3) This property was disposed to Loke Pei Lee, our Promoter and Director of Management under the HouzKEY home financing plan programme offered by Maybank Islamic Berhad. The property was sold at the same price offered to the public for similar units.
- (4) Our Group rented such property for office use. The tenancy was for 5 years commencing from 1 September 2015 until 31 August 2020. The tenancy was subsequently renewed until 31 December 2024. Our Group intends to renew the tenancy upon its expiry.
- (5) Our Group rented such property for office use. The tenancy is for 5 years commencing from 1 August 2022 until 31 July 2027. Our Group intends to renew the tenancy upon its expiry. Provided that our Group complies with the provisions in the tenancy agreement, our Group is entitled to, at least 6 months prior to the expiry of the tenancy, exercise the option to renew the tenancy for another 5 years at a revised monthly rental to be determined based on the prevailing market rates (subject to a maximum increase or decrease in rental of 15.0%). Our Group is also entitled to terminate the tenancy by giving the landlord 6 months prior notice in writing (or otherwise, 6 months' rent in lieu of notice), and the rental deposit of RM6,000 shall be forfeited by the landlord as agreed liquidated damages.
- (6) Our Group rented such properties for office use. The tenancies were for 5 years commencing from 2 January 2017 to 1 January 2022. However, these rental arrangements were not renewed upon their expiry as our Group no longer requires the space.

10. RELATED PARTY TRANSACTIONS (*Cont'd*)

- (7) Our Group entered into sale and purchase agreements dated 23 June 2023 with Wilson Loke Choon Syn, our Promoter and Executive Director, to dispose these properties (vacant residential lands located at Taman Lavender) pursuant to a special scheme for eligible Directors and employees of our Group, the purpose of which is to reward such eligible Directors and employees for their years of service to our Group by way of providing a discount rate of 60.0% to Directors and a discount rate of 40.0% to employees holding the position of manager and above with more than 10 years of service in respect of the remaining 6 vacant lots from the Taman Lavender project, as well as to encourage the sale of such remaining vacant lots under the Taman Lavender project. It is common for property developers to provide discounted rates to their eligible directors and employees in respect of the sale of their properties, whereby the terms of such schemes can vary from one company to another. The eligibility criteria for these schemes are usually determined by the directors of the company and may include factors such as the employee's length of service, position within the company and other employment-related factors as well as the pricing of the project and the take-up rate. This special scheme is still subsisting for the remaining 4 vacant lots of Taman Lavender and there has been no other transactions under this scheme except with Wilson Loke Choon Syn. Our Group has terminated this scheme in November 2023, and such schemes moving forward will be deliberated by our Board.
- (8) Our Group entered into a sale and purchase agreement dated 22 December 2023 with Yap Kim Leng, our then substantial shareholder, to dispose of this property. On 3 April 2024, Yap Kim Leng transferred his share in our Company to Loke Theen Fatt and thereafter ceased to be a related party.
- (9) Not applicable as we did not prepare any financial statement from 1 January 2024 up to LPD.

The rest of this page is intentionally left blank

10. RELATED PARTY TRANSACTIONS (Cont'd)

Save for the rental of our offices from Chin Mee Leen and Chin Soo Wah as well as the motor vehicle repair and maintenance services provided by Chuan Soon Autocare, there are no subsisting agreements with related parties after our Listing. The total rental expenses from such rentals are less than RM0.9 million per annum and the tenancies will expire on 31 December 2023 and 31 July 2027 respectively. Further details on the rental are set out in Section 6.9.2. Our Audit and Risk Management Committee has reviewed the current rental terms for the rental of our offices from Chin Mee Leen and Chin Soo Wah and is of the opinion that it is fair, reasonable and on normal commercial terms and not detrimental to the interest of the non-interested shareholders of our Group and is in the best interest to our Group on the basis that the rental rates are below prevailing market rates at a reasonable discount (in comparison with the asking prices of similar properties).

The renewal terms of such rentals will be reviewed by our Audit and Risk Management Committee and our Board shall seek the relevant approval from our shareholders to enter into such recurrent related party transaction at a general meeting.

Our Directors are of the view, save for advances received of RM2.0 million in total from Chin Mee Leen (our Promoter and substantial shareholder) and Loke Theen Fatt (our Promoter, substantial shareholder and Managing Director / Chief Executive Officer) and repayments to them amounting RM5.3 million, which were not conducted on arm's length basis as they are interest free, as well as the disposal of 2 properties to Wilson Loke Choon Syn (our Promoter and Executive Director) at a discounted rate (i.e. 60.0% for directors) pursuant to a special scheme for the eligible Directors or employees of our Group, the material related party transactions of our Group in FYE 2020 to 2023 and up to LPD were carried out on an arm's length basis and on normal commercial terms which were not more favourable to the related parties than those generally available to the public and are not detrimental to our Group.

The advances received from Chin Mee Leen and Loke Theen Fatt are unsecured, interest free and repayable on demand. The abovementioned advances received were rendered as assistance to our subsidiaries as a matter of convenience, and are not expected to continue moving forward. All outstanding advances received from Chin Mee Leen and Loke Theen Fatt amounting to RM1.1 million as at 31 December 2022 has been fully repaid on 29 May 2023.

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

- (i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products / services and/or quantities; or
- (ii) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

10. RELATED PARTY TRANSACTIONS (Cont'd)

(b) Other related party transactions

- (i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.2 OTHER TRANSACTIONS**10.2.1 Transactions entered into that are unusual in their nature or conditions**

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2020 to FYE 2023 and up to LPD.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Outstanding loans and/or balances

As at the date of this Prospectus, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

(b) Guarantees

- (i) Our Promoters, substantial shareholders, Directors and key senior management, namely Chin Mee Leen, Loke Theen Fatt, Wilson Loke Choon Syn, Stella Loke Pei Wen and Loke Pei Lee have jointly and severally provided personal guarantees for the banking and leasing facilities extended by Malayan Banking Berhad, Maybank Islamic Berhad, CIMB Islamic Bank Berhad, Hong Leong Islamic Bank Berhad, Hong Leong Bank Berhad, MBSB Bank Berhad, Bank Muamalat Malaysia Berhad, United Overseas Bank (Malaysia) Berhad, Sabah Development Bank Berhad and Small Medium Enterprise Development Bank Malaysia Berhad ("**Financiers**").

Financiers		Type of facilities	Outstanding balance as at LPD	Facility limit	Guarantors
			RM'000	RM'000	
Malayan Berhad	Banking	1 overdraft facility and 3 trade facilities	11,000	36,600	<ul style="list-style-type: none"> • Chin Mee Leen • Loke Theen Fatt
		1 hire purchase facility	10	267	<ul style="list-style-type: none"> • Chin Mee Leen • Loke Theen Fatt • Loke Pei Lee • Stella Loke Pei Wen • Wilson Loke Choon Syn
Maybank Berhad	Islamic	1 hire purchase facility	135	1,280	<ul style="list-style-type: none"> • Wilson Loke Choon Syn • Loke Theen Fatt
Maybank Berhad	Islamic	1 hire purchase facility	240	300	<ul style="list-style-type: none"> • Loke Theen Fatt
Hong Leong Bank Berhad	Islamic	1 term financing facility and 3 trade facilities	4,971	64,600	<ul style="list-style-type: none"> • Chin Mee Leen • Loke Theen Fatt
		6 hire purchase facilities	4,108	4,815	<ul style="list-style-type: none"> • Loke Theen Fatt • Chin Mee Leen
		1 term loan and 3 trade facilities	74,356	188,000	<ul style="list-style-type: none"> • Loke Theen Fatt • Chin Mee Leen

10. RELATED PARTY TRANSACTIONS (Cont'd)

Financiers		Type of facilities	Outstanding balance as at LPD	Facility limit	Guarantors
			RM'000	RM'000	
Hong Leong Bank Berhad	Bank	1 term loan and 1 overdraft facility	32,694	120,000	<ul style="list-style-type: none"> • Chin Mee Leen • Loke Theen Fatt • Stella Loke Pei Wen • Wilson Loke Choon Syn • Loke Pei Lee
MBSB Bank Berhad		15 hire purchase facilities	825	3,580	<ul style="list-style-type: none"> • Chin Mee Leen • Loke Theen Fatt • Loke Pei Lee • Stella Loke Pei Wen • Wilson Loke Choon Syn
United Overseas Bank (Malaysia) Berhad		1 term loan and 1 overdraft facility	231	2,200	<ul style="list-style-type: none"> • Chin Mee Leen • Loke Theen Fatt
Sabah Development Bank Berhad		1 term loan and 1 trade facility	89,174	300,000	<ul style="list-style-type: none"> • Chin Mee Leen • Loke Theen Fatt • Loke Pei Lee • Stella Loke Pei Wen • Wilson Loke Choon Syn
Small Enterprise Development Bank Malaysia Berhad	Medium Bank	1 trade facility	-	10,000	<ul style="list-style-type: none"> • Chin Mee Leen • Loke Theen Fatt • Stella Loke Pei Wen • Wilson Loke Choon Syn • Loke Pei Lee
			217,744	731,642	

In conjunction with our Listing, we have applied to the Financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, our Promoters, substantial shareholders, Directors and key senior management will continue to guarantee the banking facilities extended to our Group.

As at LPD, we have obtained conditional consent from all financiers in respect of the release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company, subject to the successful listing of our Company on the ACE Market.

10. RELATED PARTY TRANSACTIONS (Cont'd)

(c) Financial assistance provided for the benefit of a related party

As at LPD, there is no financial assistance provided by us for the benefit of any related party.

10.2.3 Promotions of any material assets acquired / to be acquired within 4 financial years preceding the date of this Prospectus

Save for the rentals as disclosed in Section 10.1, none of our Directors or substantial shareholders had any interest, direct or indirect, in the promotion of or in any material assets which had been, within FYE 2020 to 2023, acquired, disposed or leased or proposed to be acquired, disposed or leased to/by us.

10.2.4 Transactions entered into with M & A Securities

Save as disclosed below, we have not entered into any transactions with M & A Securities who is the Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

- (a) Agreement dated 26 July 2018 between KTI Landmark and M & A Securities for the appointment of M & A Securities as Adviser, Sponsor, Underwriter and Placement Agent for our Listing; and
- (b) Underwriting Agreement dated 16 April 2024 entered into between our Company and M & A Securities for the underwriting of 80,000,000 Issue Shares.

The rest of this page is intentionally left blank

11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS

Save as disclosed below, none of our Directors and substantial shareholders have any interest, direct or indirect, in other businesses and corporations which are carrying on a similar trade as our Group as at LPD:

No.	Company	Nature of interest
1.	Loke Theen Fatt Realty Sdn Bhd	<ul style="list-style-type: none"> • Chin Mee Leen is our Promoter and substantial shareholder. • She is the substantial shareholder of Loke Theen Fatt Realty Sdn Bhd, currently a dormant company which was previously a housing developer (previously a subsidiary of KTISB and was disposed to Chin Mee Leen).
2.	Pembangunan Buildharta Sdn Bhd (formerly known as Pembangunan K.T.I Sdn Bhd)	<ul style="list-style-type: none"> • Chin Mee Leen is our Promoter and substantial shareholder. • Loke Pei Lee is our Promoter and Director of Management. • Chin Mee Leen and Loke Pei Lee are the directors and substantial shareholders of Pembangunan Buildharta Sdn Bhd (formerly known as Pembangunan K.T.I Sdn Bhd), currently a dormant company which was previously a property developer (not part of our Group).
3.	Cerajuta Sdn Bhd	<ul style="list-style-type: none"> • Loke Theen Fatt is our Promoter, Managing Director / Chief Executive Officer and substantial shareholder. • Wilson Loke Choon Syn is our Promoter and Executive Director. • Loke Theen Fatt and Wilson Loke Choon Syn are the directors of Cerajuta Sdn Bhd. Loke Theen Fatt is also a shareholder of Cerajuta Sdn Bhd, currently a dormant company which was previously a property developer (not part of our Group).

11. CONFLICT OF INTEREST (Cont'd)

Our Board is of the view that the interests of our Directors and substantial shareholders in the above companies do not give rise to a conflict of interest situation after taking into consideration the following factors:

(a) Loke Theen Fatt Realty Sdn Bhd

Loke Theen Fatt Realty Sdn Bhd is a dormant company which was previously the developer for Phase 3 of Taman Nelly, which was the only project undertaken (it was formerly a part of our Group, being a former subsidiary of KTISB and was subsequently disposed to Chin Mee Leen), of which the individual titles are still pending issuance to the individual owners as at LPD, which are expected to complete within a period of 18 months. The company is and has been dormant since the completion of Phase 3 of Taman Nelly in 1991 and as at LPD, it does not carry out any business activities, and there is no intention for it to undertake any other business activities.

Upon completion of the issuance of the individual titles to the individual owners, the company will commence its striking off process.

Chin Mee Leen has irrevocably undertaken to take all the necessary steps to strike off the company upon issuance of the individual titles to the individual owners by May 2025, and not to undertake any business activities until it is struck off.

(b) Pembangunan Buildharta Sdn Bhd (formerly known as Pembangunan K.T.I Sdn Bhd)

Pembangunan Buildharta Sdn Bhd (formerly known as Pembangunan K.T.I Sdn Bhd) is a dormant company, and was previously a property developer, which is similar in nature to our Group's business. It has been dormant since the completion of Phase 2 and Phase 3 of Taman Kuala Menggatal (a joint venture project with LPPB) in 1998. As at LPD, it does not carry out any business activities save for holding residential properties owned by the family of Chin Mee Leen and Loke Pei Lee and another property which is pending issuance of individual title to the individual owner.

The change of name of Pembangunan K.T.I Sdn Bhd to Pembangunan Buildharta Sdn Bhd was effected on 8 August 2023.

Chin Mee Leen and Loke Pei Lee have irrevocably undertaken for Pembangunan Buildharta Sdn Bhd not to undertake any property development activities.

(c) Cerajuta Sdn Bhd

Cerajuta Sdn Bhd is a dormant company, and was previously a property developer, which is similar in nature to our Group's business. Cerajuta Sdn Bhd previously carried out construction works for the Government and subsequently became a property developer for Taman Kota Phase 2B and Phase 2C in Keningau.

As at LPD, the company holds 6 vacant detached (i.e. bungalow) lots which are intended to be disposed of being remaining lots from Phase 3 of Taman Kota, Keningau that were not developed. The company will commence its striking off process upon completion of the disposals.

11. CONFLICT OF INTEREST (*Cont'd*)

There is no intention for the company to undertake any business activities until it is struck off.

Loke Theen Fatt and Wilson Loke Choon Syn have irrevocably undertaken to take all the necessary steps to strike off the company upon completion of disposal of the remaining lots thereon by July 2025, and not to undertake any business activities until it is struck off. Loke Theen Fatt and Wilson Loke Choon Syn have abstained in the assessment of the conflict of interest situations.

Moving forward, we have established procedures for related party transactions to ensure that they are carried out on an arm's length basis, on normal commercial terms which are not more favourable to our related parties than those generally available to the public, and are not to the detriment of our minority shareholders. Please refer to our procedures as disclosed in Section 10.1.

It is our Director's fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nominating and Remuneration Committee and our Board 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 Nominating and Remuneration Committee will then first evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nominating and Remuneration Committee will then:

- (a) immediately inform our Audit and Risk Management Committee and Board of the conflict of interest situation;
- (b) after deliberation with our Audit and Risk Management Committee, to make recommendations to our Board to direct the conflicted Director to:
 - (i) withdraw from all his 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 is an Executive Director); and
 - (ii) abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nominating and Remuneration Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of our Board, be present at our Board meeting to answer any questions.

In circumstances where a Director is determined 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 fiduciary responsibility to our Group, our Nominating and Remuneration Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

11. CONFLICT OF INTEREST (Cont'd)

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

- (a) M & A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Placement Agent and Underwriter for our Listing;
- (b) Rosli Dahlan Saravana Partnership has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing;
- (c) Jayasuriya Kah & Co has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing in respect of Sabah law;
- (d) Moore Stephens Associates PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing;
- (e) Smith Zander International Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing; and
- (f) Azmi & Co (Sabah) Sdn Bhd has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Independent Valuer for our Listing.

The rest of this page is intentionally left blank

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

We were incorporated in Malaysia on 10 March 2016. Our historical financial information throughout FYE 2020 to FYE 2023 was prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows. Our audited combined financial statements for FYE 2020 to FYE 2023 were not subject to any audit qualifications.

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

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

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Revenue	90,193	98,518	112,880	120,167
Cost of sales	(61,969)	(69,397)	(82,073)	(84,580)
GP	28,224	29,121	30,807	35,587
Other income	2,328	4,187	2,919	1,773
Administrative expenses	(10,292)	(10,410)	(12,399)	(12,792)
Other expenses	-	-	⁽⁶⁾ (389)	(30)
Selling and marketing expenses	(2,960)	(1,399)	(4,711)	(4,161)
Profit from operations	17,300	21,499	16,227	20,377
Finance cost	(1,784)	(2,103)	(2,241)	(3,076)
PBT	15,516	19,396	13,986	17,301
Tax expenses	(2,921)	(3,776)	(3,504)	(3,479)
PAT / Total comprehensive income	12,595	15,620	10,482	13,822
EBIT ⁽¹⁾	16,785	21,081	15,595	19,428
EBITDA ⁽¹⁾	18,418	22,629	17,147	20,790
GP margin (%) ⁽²⁾	31.3	29.6	27.3	29.6
PBT margin (%) ⁽³⁾	17.2	19.7	12.4	14.4
PAT margin (%) ⁽³⁾	14.0	15.9	9.3	11.5
Effective tax rate (%) ⁽⁴⁾	18.8	19.5	25.1	20.1
EPS (sen) ⁽⁵⁾	1.6	2.0	1.3	1.7

The rest of this page is intentionally left blank

12. FINANCIAL INFORMATION (Cont'd)

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
PAT	12,595	15,620	10,482	13,822
Less:				
Interest income	(515)	(418)	(632)	(949)
Add:				
Finance cost	1,784	2,103	2,241	3,076
Tax expenses	2,921	3,776	3,504	3,479
EBIT	16,785	21,081	15,595	19,428
Add:				
Depreciation	1,633	1,548	1,552	1,362
EBITDA	18,418	22,629	17,147	20,790

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

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

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

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

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

The rest of this page is intentionally left blank

12. FINANCIAL INFORMATION (Cont'd)**12.1.2 Historical combined statements of financial position**

	Audited			
	As at 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	11,854	27,247	39,865	68,871
Inventories ⁽¹⁾	1,921	1,921	1,921	851
Deferred tax assets	543	154	-	454
Total non-current assets	14,318	29,322	41,786	70,176
Current assets				
Inventories ⁽¹⁾	109,050	99,649	111,069	235,821
Trade receivables	10,724	8,411	7,141	9,451
Contract assets	20,824	27,501	19,829	18,320
Other receivables	3,324	2,265	11,289	6,207
Amount due from a Director	64	64	-	-
Tax recoverable	160	1,533	1,450	1,403
Fixed deposits with licensed bank	10,564	13,835	22,136	15,551
Cash and bank balances	23,147	50,807	35,456	19,598
Total current assets	177,857	204,065	208,370	306,351
TOTAL ASSETS	192,175	233,387	250,156	376,527
EQUITY AND LIABILITIES				
Equity				
Invested equity	2,000	2,000	2,000	2,000
Retained earnings	109,681	125,301	135,784	134,607
TOTAL EQUITY	111,681	127,301	137,784	136,607
Non-current liabilities				
Deferred tax liability	797	717	895	933
Lease liabilities	2,313	2,138	2,303	5,062
Borrowings	6,624	22,677	21,796	23,654
Total non-current liabilities	9,734	25,532	24,994	29,649
Current liabilities				
Trade payables	15,893	19,071	26,070	42,551
Contract liabilities	1,171	62	21,962	15,068
Other payables	18,555	13,680	7,834	7,157
Amount due to a related party	35	21	45	41
Amount due to Directors ⁽²⁾	2,669	4,173	1,057	-
Lease liabilities	1,211	1,301	1,491	2,054
Borrowings	31,098	40,849	27,714	142,408
Tax payables	128	1,397	1,205	992
Total current liabilities	70,760	80,554	87,378	210,271
TOTAL LIABILITIES	80,494	106,086	112,372	239,920
TOTAL EQUITY AND LIABILITIES	192,175	233,387	250,156	376,527

12. FINANCIAL INFORMATION (Cont'd)

Notes:

(1) Inventories comprised of the following:

	Audited			
	As at 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Non-current asset				
Land held for property development	1,921	1,921	1,921	851
	1,921	1,921	1,921	851
Current assets				
Property development costs	82,605	97,806	109,127	235,383
Completed properties	26,445	1,843	1,942	438
	109,050	99,649	111,069	235,821

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

The rest of this page is intentionally left blank

12. FINANCIAL INFORMATION (Cont'd)

12.1.3 Historical combined statements of cash flows

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
PBT	15,516	19,396	13,986	17,301
Adjustments for:				
Depreciation of property, plant and equipment	1,626	1,548	1,552	1,362
Depreciation of investment property	7	-	-	-
Forfeiture of deposit from customers	(8)	-	(10)	-
Gain on disposal of property, plant and equipment	*	(100)	(50)	(66)
Gain on disposal of investment property	(274)	-	-	-
Interest expense	1,784	2,103	2,241	3,075
Interest income	(515)	(418)	(632)	(949)
Other receivables written off	-	-	30	-
Property, plant and equipment written off	-	-	*	-
Operating profit before changes in working capital	18,136	22,529	17,117	20,723
Changes in working capital:				
Inventories	(24,787)	(3,470)	(10,035)	(47,746)
Receivables	26,701	2,288	(7,785)	2,773
Payables	6,086	(1,712)	1,194	15,801
Contract assets / liabilities	(4,309)	(7,785)	29,573	(5,385)
Cash generated from operations	21,827	11,850	30,064	(13,834)
Interest paid	(2,524)	(2,103)	(2,247)	(3,070)
Interest received	515	419	632	949
Tax paid	(2,638)	(3,573)	(3,689)	(4,061)
Tax refunded	-	-	408	-
Net cash from / (used in) operating activities	17,180	6,593	25,168	(20,016)
Cash flows from investing activities				
Acquisition of property, plant and equipment	(439)	(1,789)	(14,213)	(27,149)
Repayment from Directors	-	-	64	-
Decrease / (Increase) in housing development account	1,166	(371)	353	4
Proceeds from disposal of property, plant and equipment	1	100	50	72
Proceeds from disposal of investment property	790	-	-	-
Net cash from / (used in) investing activities	1,518	(2,060)	(13,746)	(27,073)

12. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Cash flows from financing activities				
(Repayment to) / Advances from Directors	(1,569)	1,504	(3,116)	(1,057)
Decrease / (Increase) in pledged deposits placed with licensed banks	4,864	(3,252)	(281)	(863)
Dividend paid	-	-	-	(15,000)
Drawdown of banker's acceptance	19,360	15,192	17,789	22,723
Drawdown of trust receipts	99	1,283	-	4,122
Drawdown of term loans	-	27,817	10,000	35,807
Drawdown of Commodity Murabahah Flexi Term Financing-I ("CMFTF-i")	3,827	-	2,673	-
Drawdown of Commodity Murabahah Cashline-I ("CMC-i")	21,317	38,828	22,220	21,488
Drawdown revolving credit	-	-	-	902
Drawdown of bridging loan	-	-	-	15,000
Repayment of bankers' acceptance	(19,312)	(13,356)	(20,525)	(21,091)
Repayment of trust receipts	(260)	(489)	(794)	(1,813)
Repayment of term loans	(338)	(2,403)	(5,278)	(10,397)
Repayment of invoice financing	(365)	-	-	-
Repayment of CMFTF-i	(1,018)	(3,394)	(1,415)	(955)
Repayment of CMC-i	(17,863)	(27,484)	(38,297)	(23,974)
Refinance of lease liabilities	-	-	516	-
Repayment of revolving credit	-	-	-	(411)
Repayment of lease liabilities	(1,023)	(1,282)	(1,503)	(1,840)
Net cash from / (used in) financing activities	7,719	32,964	(18,011)	22,641
Cash and cash equivalents				
Net increase / (decrease) in cash and cash equivalent	26,417	37,497	(6,589)	(24,448)
At beginning of financial year	(13,168)	13,249	50,746	44,157
At end of financial year⁽¹⁾	13,249	50,746	44,157	19,709

Note:

* Less than RM1,000.

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

	As at 31 December			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with licensed bank	10,564	13,835	22,136	15,551
Cash and bank balances	23,147	50,807	35,456	19,598
	33,711	64,642	57,592	35,149
Less: Fixed deposit pledged as collaterals	(9,791)	(13,044)	(13,325)	(14,187)
Less: Housing development account	(93)	(463)	(110)	(107)
Less: Bank overdraft	(10,578)	(389)	-	(1,146)
	13,249	50,746	44,157	19,709

12. FINANCIAL INFORMATION (Cont'd)

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

The following discussion and segmental analysis of our combined financial statements for FYE 2020 to 2023 should be read with the Accountants' Report included in Section 13.

12.2.1 Overview of our operations**(a) Principal activities**

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

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

(b) Revenue

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

Our revenue recognition criteria are as follows:

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

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

(c) Cost of sales

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

12. FINANCIAL INFORMATION (Cont'd)

(d) Other income

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

(e) Administrative expenses

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

(f) Selling and marketing expenses

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

(g) Finance cost

Finance cost comprises interest expense on our borrowings.

(h) Recent developments

Save for the Acquisitions, there were no other significant events subsequent to our Group's audited combined financial statements for FYE 2023 and there are no other significant events that may have a material effect on our financial position and results for FYE 2023.

(i) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during FYE 2020 to FYE 2023. In addition, our audited combined financial statements for FYE 2020 to FYE 2023 were not subjected to any audit qualifications.

The rest of this page is intentionally left blank

12. FINANCIAL INFORMATION (Cont'd)

12.2.2 Review of our results of operations

(a) Revenue

Analysis of revenue by activities

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales of development properties								
- From project sales, which are recognised over time based on completion progress	79,866	88.6	61,570	62.5	110,727	98.1	111,537	92.8
- From sales of our inventory of completed units, which is recognised at a point in time	10,327	11.4	36,948	37.5	2,153	1.9	1,916	1.6
- From sale of land held for property development, which is recognised at a point in time	-	-	-	-	-	-	6,714	5.6
	90,193	100.0	98,518	100.0	112,880	100.0	120,167	100.0

Analysis of revenue by development projects

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Provision of design and build construction services to LPPB								
On-going developments								
Taman Seri Lemawang Phase 1A	8,328	9.2	(1)(110)	(0.1)	768	0.7	-	-
Taman Seri Lemawang Phase 1B ⁽²⁾	13,671	15.2	2,068	2.1	320	0.3	-	-
Taman Seri Lemawang Phase 1C	16,087	17.8	6,870	6.9	2,149	1.9	-	-
Taman Seri Lemawang Phase 1D	7,383	8.2	17,297	17.6	5,046	4.5	2,595	2.1
Taman Seri Lemawang Phase 1E	-	-	-	-	3,543	3.1	25,311	21.1
Taman Seri Lemawang Phase 1F	149	0.2	9,689	9.8	6,619	5.9	264	0.2
Taman Seri Lemawang Phase 1G	38	*	13,495	13.7	11,856	10.5	6,934	5.8
Taman Seri Lemawang Phase 1H	-	-	73	0.1	21,343	18.9	11,323	9.4

12. FINANCIAL INFORMATION (Cont'd)

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Taman Seri Lemawang Phase 1I	-	-	-	-	6,011	5.3	5,198	4.3
Plaza Seri Lemawang	-	-	3,650	3.7	5,710	5.1	-	-
Plaza Lemawang 2	-	-	-	-	-	-	96	0.1
Residensi Seri Akasia (Block A and B)	-	-	8,538	8.7	13,605	12.0	6,483	5.4
Residensi Seri Akasia (Block C and D)	-	-	-	-	860	0.8	15,835	13.2
Taman Bukit Alamanda	-	-	-	-	15,490	13.7	18,127	15.1
Puncak Gloxinia Phase 2 – Block D ⁽²⁾	13,299	14.8	-	-	-	-	-	-
Puncak Gloxinia Phase 2 – Block E ⁽²⁾	8,088	9.0	-	-	-	-	-	-
Puncak Gloxinia Phase 2 – Block F ⁽²⁾	12,823	14.2	-	-	-	-	-	-
Total on-going developments	79,866	88.6	61,570	62.5	93,320	82.7	92,166	76.7
Completed properties								
Taman Nelly 8D	714	0.8	119	0.1	110	0.1	110	0.1
Taman Kota Phase 2A	188	0.2	-	-	-	-	-	-
Taman La Gloxinia Phase 1	480	0.5	-	-	-	-	-	-
Taman Seri Lemawang Phase 1B ⁽³⁾	-	-	-	-	255	0.2	-	-
Puncak Gloxinia Phase 1 – Block A	996	1.1	337	0.3	-	-	-	-
Puncak Gloxinia Phase 1 – Block B	1,011	1.1	⁽¹⁾ (24)	*	*	*	-	-
Puncak Gloxinia Phase 1 – Block C	296	0.3	-	-	-	-	-	-
Puncak Gloxinia Phase 2 – Block D ⁽³⁾	3,672	4.1	17,472	17.7	577	0.5	-	-
Puncak Gloxinia Phase 2 – Block E ⁽³⁾	1,419	1.6	12,789	13.0	1,211	1.1	-	-
Puncak Gloxinia Phase 2 – Block F ⁽³⁾	1,551	1.7	6,255	6.4	-	-	-	-
Plaza Seri Lemawang	-	-	-	-	-	-	1,806	1.5
Total completed properties	10,327	11.4	36,948	37.5	2,153	1.9	1,916	1.6
Land held for property development								
Taman Lavender Land	-	-	-	-	-	-	6,714	5.6