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**13. ACCOUNTANTS' REPORT**

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**SPB DEVELOPMENT BERHAD**  
**(Registration No.: 202201037256 (1482953-X))**  
(Incorporated in Malaysia)

**ACCOUNTANTS' REPORT**  
**FOR THE FINANCIAL YEARS ENDED**  
**31 DECEMBER 2021, 31 DECEMBER 2022**  
**AND 31 DECEMBER 2023**

**GRANT THORNTON MALAYSIA PLT**

**CHARTERED ACCOUNTANTS**

**Member Firm of Grant Thornton International Ltd.**

### 13. ACCOUNTANTS' REPORT (Cont'd)



Date: 18 September 2024

The Board of Directors  
**SPB Development Berhad**  
 No. 16 & 17, Plaza Seri Kubu  
 Jalan Tan Chay Yan  
 75300 Melaka

**Grant Thornton Malaysia PLT**  
 Level 11, Sheraton Imperial Court  
 Jalan Sultan Ismail  
 50250 Kuala Lumpur  
 Malaysia

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Dear Sirs,

#### **Reporting Accountants' Opinion on the Combined Financial Statements contained in the Accountants' Report of SPB Development Berhad (the "Company" or "SPB Development")**

##### ***Opinion***

We have audited the combined financial statements of SPB Development Berhad and its combining entities (collectively known as the "Group" or "SPB Group") which comprises the combined statements of financial position of the Group as at 31 December 2021, 31 December 2022 and 31 December 2023, the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years then ended and a material accounting policies information and other explanatory notes, as set out on pages 4 to 45.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined statements of financial position of the Group as at 31 December 2021, 31 December 2022 and 31 December 2023, and of its financial performance and its cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and IFRS Accounting Standards.

##### ***Basis for Opinion***

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

##### ***Independence and Other Ethical Responsibilities***

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

**13. ACCOUNTANTS' REPORT (Cont'd)**

Grant Thornton

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern.

**13. ACCOUNTANTS' REPORT (Cont'd)**

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

We also (cont'd):-

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the combined financial statements of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

***Other Matter***

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

GRANT THORNTON MALAYSIA PLT  
(201906003682 & LLP0022494-LCA)  
CHARTERED ACCOUNTANTS (AF 0737)

Kuala Lumpur

LEE SHEAU WEI  
(NO: 03539/12/2024 J)  
CHARTERED ACCOUNTANT

**13. ACCOUNTANTS' REPORT (Cont'd)****SPB DEVELOPMENT BERHAD**

(Incorporated in Malaysia)

**Registration No: 202201037256 (1482953-X)****STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021,  
31 DECEMBER 2022 AND 31 DECEMBER 2023**

	<u>Note</u>	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	3	4,850	7,256	15,266
Investment properties	4	76,402	76,318	26,966
Inventories	5	140,317	111,305	190,944
Deferred tax assets	6	2,916	2,722	5,142
<b>Total non-current assets</b>		<b>224,485</b>	<b>197,601</b>	<b>238,318</b>
<b>Current assets</b>				
Inventories	5	62,495	86,884	75,206
Contract assets	7	28,139	75,500	102,536
Contract costs	8	1,136	1,424	1,364
Trade receivables	9	32,514	12,773	25,604
Other receivables	10	22,570	13,330	14,720
Amount due from related parties	11	74,558	16,668	29
Tax recoverable		197	1,382	590
Cash and short-term deposits	12	8,882	13,849	28,578
<b>Total current assets</b>		<b>230,491</b>	<b>221,810</b>	<b>248,627</b>
<b>Total assets</b>		<b>454,976</b>	<b>419,411</b>	<b>486,945</b>
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	13	-	1	1
Invested equity	13	24,550	32,050	32,050
Retained earnings		262,856	297,465	339,158
<b>Total equity</b>		<b>287,406</b>	<b>329,516</b>	<b>371,209</b>
<b>LIABILITIES</b>				
<b>Non-current liabilities</b>				
Borrowings	14	1,330	13,045	13,265
Lease liabilities	15	374	387	250
Deferred tax liabilities	6	999	999	999
<b>Total non-current liabilities</b>		<b>2,703</b>	<b>14,431</b>	<b>14,514</b>

**13. ACCOUNTANTS' REPORT (Cont'd)**
**SPB DEVELOPMENT BERHAD**

(Incorporated in Malaysia)

**Registration No: 202201037256 (1482953-X)**
**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2021,  
31 DECEMBER 2022 AND 31 DECEMBER 2023 (CONT'D)**

	<u>Note</u>	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
<b>LIABILITIES (CONT'D)</b>				
<b>Current liabilities</b>				
Contract liabilities	7	8,211	-	117
Trade payables	16	13,980	15,930	39,900
Other payables	17	11,631	8,129	11,072
Amount due to related parties	11	116,974	33,943	7,458
Borrowings	14	12,367	13,683	36,211
Lease liabilities	15	282	409	397
Tax payable		1,422	3,370	6,067
<b>Total current liabilities</b>		<u>164,867</u>	<u>75,464</u>	<u>101,222</u>
<b>Total liabilities</b>		<u>167,570</u>	<u>89,895</u>	<u>115,736</u>
<b>Total equity and liabilities</b>		<u>454,976</u>	<u>419,411</u>	<u>486,945</u>

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

**13. ACCOUNTANTS' REPORT (Cont'd)**
**SPB DEVELOPMENT BERHAD**
**(Incorporated in Malaysia)**
**Registration No: 202201037256 (1482953-X)**
**STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2022  
AND 31 DECEMBER 2023**

	<u>Note</u>	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
Revenue	18	104,563	150,168	200,810
Cost of sales		<u>(62,262)</u>	<u>(88,732)</u>	<u>(119,685)</u>
Gross profit		42,301	61,436	81,125
Other income	19	902	2,994	807
Finance income		87	87	249
Selling and marketing expenses		(1,906)	(2,588)	(4,158)
Administrative expenses		(7,099)	(9,360)	(13,529)
Finance costs	20	<u>(1,729)</u>	<u>(949)</u>	<u>(2,523)</u>
Profit before tax	21	32,556	51,620	61,971
Tax expenses	22	<u>(7,883)</u>	<u>(11,960)</u>	<u>(15,954)</u>
Net profit/total comprehensive income for the financial year		<u>24,673</u>	<u>39,660</u>	<u>46,017</u>
Attribution to owners of the Company	24			
- Basic and diluted earnings per share		<u>1.00</u>	<u>1.32</u>	<u>1.44</u>

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

**13. ACCOUNTANTS' REPORT (Cont'd)****SPB DEVELOPMENT BERHAD**

(Incorporated in Malaysia)

**Registration No: 202201037256 (1482953-X)****STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEARS ENDED  
31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

	Share <u>capital</u> RM'000	Invested <u>equity</u> RM'000	Retained <u>earnings</u> RM'000	<u>Total</u> RM'000
Balance at 1 January 2021	-	24,550	240,263	264,813
Total comprehensive income for the financial year	-	-	24,673	24,673
Transaction with owners of the Company: Dividend (Note 25)	-	-	(2,080)	(2,080)
Balance at 31 December 2021	-	24,550	262,856	287,406
Total comprehensive income for the financial year	-	-	39,660	39,660
Transaction with owners of the Company: Issuance of share capital	1	-	-	1
Acquiring of a new entity	-	7,500	(23)	7,477
Dividend (Note 25)	-	-	(5,028)	(5,028)
	<u>1</u>	<u>7,500</u>	<u>(5,051)</u>	<u>2,450</u>
Balance at 31 December 2022	1	32,050	297,465	329,516
Total comprehensive income for the financial year	-	-	46,017	46,017
Transactions with owners of the Company: Dividend (Note 25)	-	-	(4,324)	(4,324)
Balance at 31 December 2023	<u>1</u>	<u>32,050</u>	<u>339,158</u>	<u>371,209</u>

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



**13. ACCOUNTANTS' REPORT (Cont'd)****SPB DEVELOPMENT BERHAD**

(Incorporated in Malaysia)

**Registration No: 202201037256 (1482953-X)****STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021,  
31 DECEMBER 2022 AND 31 DECEMBER 2023**

	<u>Note</u>	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
<b>OPERATING ACTIVITIES</b>				
Profit before tax		32,556	51,620	61,971
<b>Adjustments for:</b>				
Bad debts written off		21	-	-
Depreciation of:				
- investment properties		84	84	84
- property, plant and equipment		914	1,152	2,208
Gain on disposal of property, plant and equipment		-	(349)	-
Inventories written off		-	194	-
Finance costs		1,729	949	2,523
Finance income		(87)	(87)	(249)
Operating profit before working capital changes		35,217	53,563	66,537
Changes in working capital:				
Inventories		(3,853)	11,904	(18,693)
Contract customers		(8,219)	(55,572)	(26,919)
Contract costs		(272)	(288)	60
Receivables		(18,843)	28,958	(14,221)
Payables		12,764	(1,527)	26,913
Related party		-	(13,648)	13,648
Cash generated from operations		16,794	23,390	47,325
Income tax paid		(6,281)	(11,003)	(15,147)
Income tax refunded		-	-	262
Interest received		87	87	249
Interest paid		(1,729)	(949)	(2,523)
Net cash flows from operating activities		8,871	11,525	30,166
<b>INVESTING ACTIVITIES</b>				
Placement of fixed deposit		-	(23)	-
(Advances to)/Repayment from related parties		(4,338)	71,538	-
Repayment from other receivables		-	-	2,991
Acquisition of property, plant and equipment	<b>A</b>	(3,772)	(3,027)	(9,880)
Proceeds from disposal of property, plant and equipment		-	419	-
Net cash (used in)/from investing activities		(8,110)	68,907	(6,889)

**13. ACCOUNTANTS' REPORT (Cont'd)****SPB DEVELOPMENT BERHAD**

(Incorporated in Malaysia)

**Registration No: 202201037256 (1482953-X)****STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021,  
31 DECEMBER 2022 AND 31 DECEMBER 2023 (CONT'D)**

	<u>Note</u>	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
<b>FINANCING ACTIVITIES</b>	<b>B</b>			
Dividend paid		-	(2,641)	(4,467)
Proceeds from issuance of share capital		-	1	-
Advances from/(repayment to) related parties		18,053	(85,418)	(26,342)
Drawdown of borrowings		-	15,000	4,000
Payment of lease liabilities		(345)	(461)	(487)
Repayment of borrowings		<u>(30,356)</u>	<u>(660)</u>	<u>(2,945)</u>
Net cash (used in) financing activities		<u>(12,648)</u>	<u>(74,179)</u>	<u>(30,241)</u>
<b>CASH AND CASH EQUIVALENTS</b>				
Net changes		(11,887)	6,253	(6,964)
At the beginning of the financial year		<u>8,800</u>	<u>(3,087)</u>	<u>3,166</u>
At the end of the financial year	<b>C</b>	<u><u>(3,087)</u></u>	<u><u>3,166</u></u>	<u><u>(3,798)</u></u>

**NOTES TO THE STATEMENTS OF CASH FLOWS****A. Acquisition of property, plant and equipment**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
Aggregate cost of property, plant and equipment	4,272	3,628	10,218
Financed via lease liabilities arrangement	<u>(500)</u>	<u>(601)</u>	<u>(338)</u>
Total cash acquisition	<u><u>3,772</u></u>	<u><u>3,027</u></u>	<u><u>9,880</u></u>

**B. Reconciliation of the movements of liabilities to cashflows arising from financing activities**

	<u>At beginning of the financial year</u> RM'000	<u>Cash flows</u> RM'000	<u>Others</u> RM'000	<u>At end of the financial year</u> RM'000
<b>2023</b>				
Amount due to related parties	33,943	(26,342)	(143) *	7,458
Lease liabilities	796	(487)	338 #	647
Term loans	<u>16,068</u>	<u>1,055</u>	<u>-</u>	<u>17,123</u>
<b>2022</b>				
Amount due to related parties	116,974	(85,418)	2,387 *	33,943
Lease liabilities	656	(461)	601 #	796
Term loans	<u>1,728</u>	<u>14,340</u>	<u>-</u>	<u>16,068</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****SPB DEVELOPMENT BERHAD**

(Incorporated in Malaysia)

**Registration No: 202201037256 (1482953-X)****STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021,  
31 DECEMBER 2022 AND 31 DECEMBER 2023 (CONT'D)****NOTES TO THE STATEMENTS OF CASH FLOWS (CONT'D)****B. Reconciliation of the movements of liabilities to cashflows arising from financing activities (cont'd)**

	At beginning of the financial year RM'000	Cash flows RM'000	Others RM'000	At end of the financial year RM'000
<b>2021</b>				
Amount due to related parties	96,841	18,053	2,080 *	116,974
Lease liabilities	501	(345)	500 #	656
Term loans	32,084	(30,356)	-	1,728

\* Being net dividend payable to the Directors.

# Being acquisition of property, plant and equipment through lease liabilities arrangement as disclosed in Note 15 to the combined financial statements.

**C. Cash and cash equivalents**

Cash and cash equivalents included in the combined statements of cash flows comprise the following amounts:-

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
Cash and short-term deposits	8,882	13,849	28,578
Less: Short-term deposits	-	(23)	(23)
Cash and bank balances	8,882	13,826	28,555
Bank overdrafts (Note 14)	(11,969)	(10,660)	(32,353)
	<u>(3,087)</u>	<u>3,166</u>	<u>(3,798)</u>

**D. Total cash outflows for leases as a lessee**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
<u>Included in net cash flow from operating activities</u>			
Payment relating to short-term lease	38	73	40
<u>Included in net cash flow (used in) financing activities</u>			
Payment of lease liabilities	345	461	487
Payment of interest on lease liabilities	21	37	45
	<u>366</u>	<u>498</u>	<u>532</u>

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

**13. ACCOUNTANTS' REPORT (Cont'd)****SPB DEVELOPMENT BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****– 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023****1. GENERAL INFORMATION**

SPB Development Berhad (“SPB Development” or the “Company”) was incorporated in Malaysia as a private limited liability company on 6 October 2022 under the Companies Act 2016. On 9 August 2024, the Company was converted into a public limited company and assumed its present name, SPB Development Berhad.

The registered office of the Company is located at 50-1, 52-1 & 54-1, Jalan BPM 2, Taman Bukit Piatu Mutiara, 75150 Melaka. The principal place of business of the Company is located at 16 & 17, Plaza Seri Kubu, Jalan Tan Chay Yan, 75300 Melaka.

The Company is principally an investment holding company. The principal activities of the combining entities with principal place of business are in Malaysia are set out below: -

Name of entities	Effective ownership and voting interests			Principal activities
	31.12.2021	31.12.2022	31.12.2023	
Dayang Gemilang Sdn. Bhd.	100%	100%	100%	Property owner
Debunga Istimewa Sdn. Bhd.	100%	100%	100%	Property development
Good Rate Holdings Sdn. Bhd.	100%	100%	100%	Property owner
Hektar Berlian Sdn. Bhd.	100%	100%	100%	Property development and property owner
Jendela Hijau Sdn. Bhd.	100%	100%	100%	Property owner
Laman Exotika Sdn. Bhd.	100%	100%	100%	Property development
Mantap Megajuta Sdn. Bhd. ^	-	100%	100%	Property development
Naluri Wijaya Sdn. Bhd.	100%	100%	100%	Property development and property owner
Panglima Juara Sdn. Bhd.	100%	100%	100%	Property development
Setara Hijau Sdn. Bhd.	100%	100%	100%	Property development and property owners
Sri Pengkalan Binaan Sdn. Bhd. (“SPBSB”)	100%	100%	100%	Building contractors, property development and investment holding
<b>Held through SPBSB</b>				
Ekuiti Idaman Sdn. Bhd.	100%	100%	100%	Property development
Modal Cergas Lestari Sdn. Bhd.	100%	100%	100%	Property owner
Rentas Dinamik Sdn. Bhd.	100%	100%	100%	Property owner

^ under common control with effective from 12 April 2022.

The financial statements of the combining entities for 31 December 2021, 31 December 2022 and 31 December 2023 have been audited and/or re-audited by Grant Thornton Malaysia PLT, prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”), IFRS Accounting Standards (“IFRSs”) for the purpose of inclusion in the prospectus to be issued by SPB Development in connection with the Listing and should not be relied upon for any other purpose.

**13. ACCOUNTANTS' REPORT (Cont'd)****1. GENERAL INFORMATION (CONT'D)**

There was no significant change in the nature of the principal activities of SPB Development and the combining entities (the "Group") during the financial years ended 31 December 2021, 31 December 2022 and 31 December 2023.

**2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS****2.1 Basis of preparation**

The combined financial statements of the Group have been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes.

**2.2 Statement of compliance**

The combined financial statements of the Group for the financial years ended 31 December 2021, 31 December 2022 and 31 December 2023 have been prepared in accordance with MFRSs, IFRSs and the Guidance Note on 'Combined Financial Statements' issued by the Malaysian Institute of Accountants.

The combined financial statements of the Group include the financial information of the entities as disclosed in Note 1, which were operating under common control throughout the reporting years by virtue of common controlling shareholders.

Entities under common control are entities which are ultimately controlled by the same parties, where that control is not transitory. Control exists when the same parties, through contractual agreements have ultimate collective power to govern the financial and operational policies of each entity to benefit from their activities. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial statements used in the preparation of the combined financial statements are prepared as of the same reporting dates. The combined financial statements of the Group for the relevant period were prepared in a manner similar to the merger method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period.

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group. All material intra-group transactions and balances have been eliminated on combination.



**13. ACCOUNTANTS' REPORT (Cont'd)****2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)****2.3 Basis of measurement**

The combined financial statements of the Group are prepared under the historical cost convention, unless otherwise indicated in the summary of significant accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use, or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the combined financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:-

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

For assets and liabilities that are recognised in the combined financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to their fair value measurement as a whole) at the end of each reporting year.

For the purpose of fair value disclosures, the Group has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of fair value hierarchy as explained above.

**2.4 Functional and presentation currency**

These combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency and all values are rounded to the nearest thousand (RM'000), unless otherwise stated.

**13. ACCOUNTANTS' REPORT (Cont'd)****2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)****2.5 Standards issued but not yet effective**

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's combined financial statements are disclosed below.

*MFRSs and Amendments to MFRSs effective for financial period beginning on or after 1 January 2024:-*

Amendments to MFRS 16	Lease liability in a Sale and Leaseback
Amendments to MFRS 101	Presentation of Financial Statements – Non-Current Liabilities with Covenants
Amendments to MFRS 101	Presentation of financial statements: Classification of liabilities as current or non-current
Amendments to MFRS 107* and MFRS 7*	Statement of Cash Flows and Financial Instruments: Disclosures – Supplier Finance Arrangements

*MFRSs and Amendments to MFRSs effective for financial period beginning on or after 1 January 2025:-*

Amendments to MFRS 121*	The Effect of Changes in Foreign Exchange Rates – Lack of Exchangeability
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*Amendments to MFRS effective 1 January 2026:*

Amendments to MFRS 9 and MFRS 7	Financial Instruments and Financial Instruments: Disclosures – Classification and Measurement of Financial Instruments
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*MFRSs effective 1 January 2027:*

MFRS 18	Presentation and Disclosure in Financial Statements
MFRS 19*	Subsidiaries without Public Accountability: Disclosures

*Amendments to MFRSs – Effective date deferred indefinitely:-*

Amendments to MFRS 10 and MFRS 128*	Consolidated financial statements and investments in associate and joint ventures – Sale or contribution of assets between an investor and its associate or joint venture
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\* Not applicable to the Group.

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective. The initial application of the above standards, amendments and interpretations are not expected to have material financial impact to the combined financial statements.

**2.6 Significant accounting estimates and judgements**

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

**13. ACCOUNTANTS' REPORT (Cont'd)****2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)****2.6 Significant accounting estimates and judgements (cont'd)**

Information about significant judgements, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

Useful lives of depreciable assets

Property, plant and equipment (excluding right-of-use assets) which are depreciated on a straight-line basis over their useful life are estimated based on common life expectancies and commercial factors applied in the various respective industries. Significant judgement is involved in estimating the useful life of property, plant and equipment which are subjected to economic and technological development and the level of usage. Therefore, residual values of these assets and future depreciation charges may vary.

Inventories – Completed development properties

Inventories held for sale are stated at the lower of cost or net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Inventories held for sale are reviewed on a regular basis and the Group will make an allowance for impairment primarily based on historical trends and management estimates of expected and future product demand and related pricing. Demand and pricing levels could change from time to time. If such factors result in an adverse effect on the Group's products, the Group provides additional allowances for slow moving inventories.

Impairment of non-financial assets

An impairment loss is recognised for the amount by which the carrying amount of the asset or cash generation unit exceeds its recoverable amount. To determine the recoverable amount, the management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows, the management makes assumptions about future operating results. The actual results may vary, and may cause significant adjustments to the Group's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

Provision for expected credit losses of trade receivables and contract assets

Credit losses represent the difference between all contractual cash flow due to the Group and the cash flow that it actually expects to receive. The Group calculates expected credit losses using historical experience, external indicators and forward-looking information. An expected credit loss is the probability-weighted estimate of credit losses requiring the Group's judgement.



**13. ACCOUNTANTS' REPORT (Cont'd)****2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS (CONT'D)****2.6 Significant accounting estimates and judgements (cont'd)**Revenue and cost of sales from property development activities and construction services

The Group recognises contract or property development revenue and expenses in the profit or loss by using the stage of completion method, net of expected liquidated ascertained damages ("LAD") payments. LAD is determined based on the most likely method.

The stage of completion is determined using the input method referencing the contract or property development costs incurred for work performed to date against the costs to completion, if control of the asset transfers over time.

Significant estimates are required in determining the progress of construction based on certified work-to-date and the level of completion, calculated by comparing actual costs incurred to date against the estimated total construction costs. This includes assessing the recoverability of contracts or development projects and estimating the LAD for properties unable to deliver vacant possession on time. In making the estimation, the Group evaluates on the basis of (i) past experience (ii) the expertise of specialists as needed (iii) reports from industry experts and (iv) a continuous monitoring mechanism. Where the actual revenue, LAD and cost incurred are different from the total estimated revenue, LAD and cost incurred, such differences will impact the contract profit or losses recognised.

Income taxes/deferred tax liabilities

Significant judgement is involved in determining the Group's provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognised tax liabilities based on estimates of whether additional taxes will be due. If the final tax outcome differs from the initially recognised amounts, the difference will impact the income tax and deferred tax provisions in the period when the determination is made.

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which all the deductible temporary differences can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

**13. ACCOUNTANTS' REPORT (Cont'd)**
**3. PROPERTY, PLANT AND EQUIPMENT**

	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Site equipment RM'000	Right-of-use assets RM'000	Total RM'000
<b>Cost</b>							
At 1 January 2021	464	70	587	22	94	2,892	4,129
Additions	47	-	86	-	3,247	892	4,272
At 31 December 2021	511	70	673	22	3,341	3,784	8,401
Additions	70	-	177	372	2,019	990	3,628
Disposal	-	(15)	-	-	-	(1,123)	(1,138)
Written off	(18)	-	(11)	-	(75)	-	(104)
At 31 December 2022	563	55	839	394	5,285	3,651	10,787
Additions	62	5	259	595	8,959	338	10,218
At 31 December 2023	625	60	1,098	989	14,244	3,989	21,005
<b>Accumulated depreciation</b>							
At 1 January 2021	244	42	354	6	94	1,897	2,637
Charge for the financial year	45	14	53	2	275	525	914
At 31 December 2021	289	56	407	8	369	2,422	3,551
Charge for the financial year	53	11	68	31	443	546	1,152
Disposal	-	(12)	-	-	-	(1,056)	(1,068)
Written off	(18)	-	(11)	-	(75)	-	(104)
At 31 December 2022	324	55	464	39	737	1,912	3,531
Charge for the financial year	49	1	88	103	1,292	675	2,208
At 31 December 2023	373	56	552	142	2,029	2,587	5,739

**13. ACCOUNTANTS' REPORT (Cont'd)**

**3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	<u>Furniture and fittings</u> RM'000	<u>Motor vehicles</u> RM'000	<u>Office equipment</u> RM'000	<u>Renovation</u> RM'000	<u>Site equipment</u> RM'000	<u>Right-of-use assets</u> RM'000	<u>Total</u> RM'000
<b>Net carrying amount</b>							
At 31 December 2021	222	14	266	14	2,972	1,362	4,850
At 31 December 2022	239	-	375	355	4,548	1,739	7,256
At 31 December 2023	252	4	546	847	12,215	1,402	15,266

**13. ACCOUNTANTS' REPORT (Cont'd)****3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Included in the right-of-use assets of the Group are motor vehicles acquired under hire purchase terms and office premise leased, with the following information:

	<u>Carrying amount</u> RM'000	<u>Depreciation charged</u> RM'000	<u>Additions</u> RM'000	<u>Disposals</u> RM'000
Motor vehicles				
- 31 December 2021	1,362	525	892	-
- 31 December 2022	1,739	546	990	67
- 31 December 2023	<u>1,154</u>	<u>585</u>	<u>-</u>	<u>-</u>
Office premise				
- 31 December 2023	<u>248</u>	<u>90</u>	<u>338</u>	<u>-</u>

- (a) The right-of-use assets are presented in the same line items as the corresponding underlying assets would be if owned. Right-of-use motor vehicles and office premise represent right-of-use assets arising from lease arrangements that do not meet the definition of investment property.
- (b) All items of property, plant and equipment (excluding right-of-use assets) are initially recorded at cost. After initial recognition, these property, plant and equipment (excluding right-of-use assets) are stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Furniture and fittings	10 - 12.5 years
Motor vehicles	5 years
Office equipment	8.3 - 10 years
Renovation	10 years
Site equipment	10 years

- (c) The right-of-use assets under property, plant and equipment are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases. After initial recognition, the right-of-use assets are stated at cost less accumulated depreciation and accumulated impairment losses, if any, and adjusted for any remeasurement of the lease liabilities.

The right-of-use assets are depreciated on a straight-line basis over their respective lease terms. The principal depreciation periods are as follows:

Motor vehicles	5 years
Office premise	4 years

If ownership of the lease asset is transferred to the Group at the end of the lease term or if the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

- (d) The Group applies the short-term lease recognition exemption to its short-term lease. Lease payments on these leases are recognised as expense on a straight-line basis over the lease term.

**13. ACCOUNTANTS' REPORT (Cont'd)****4. INVESTMENT PROPERTIES**

	Leasehold land RM'000	Freehold land RM'000	Total RM'000
<b>Cost</b>			
At 1 January 2021/31 December 2021/31 December 2022	8,051	68,883	76,934
Transfer to property development cost	-	(49,268)	(49,268)
At 31 December 2023	8,051	19,615	27,666
<b>Accumulated depreciation</b>			
At 1 January 2021	448	-	448
Charged for the year	84	-	84
At 31 December 2021	532	-	532
Charged for the year	84	-	84
At 31 December 2022	616	-	616
Charged for the year	84	-	84
At 31 December 2023	700	-	700
<b>Net carrying amount</b>			
At 31 December 2021	7,519	68,883	76,402
At 31 December 2022	7,435	68,883	76,318
At 31 December 2023	7,351	19,615	26,966
			RM'000
<b>Fair value of investment properties</b>			
- At 31 December 2021			89,876
- At 31 December 2022			94,950
- At 31 December 2023			36,950

The net carrying amount of investment properties pledged as security for the bank facilities granted to the Group comprises the following:

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
Freehold land	55,806	23,772	6,537
Leasehold land	7,519	7,435	7,351

**13. ACCOUNTANTS' REPORT (Cont'd)****4. INVESTMENT PROPERTIES (CONT'D)**

The investment properties are vacant land owned for capital appreciation. Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, these investment properties are measured at cost less accumulated depreciation and any accumulated impairment loss.

Freehold land with an infinite life is not depreciated. The annual depreciation rate used for leasehold land is based on a useful life of 96 years.

Income and expenses recognised in profit or loss:

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
Rental income	213	223	150
Direct operating expenses	<u>256</u>	<u>228</u>	<u>222</u>

The fair value of the Group's investment properties was estimated at RM36,950,000 (2021: RM89,875,533 and 2022: RM94,950,000) by the Directors. This estimate was based on valuations by independent professional qualified valuers or the Directors own estimates, referencing to the open market value of similar properties in the vicinity. The fair values of investment properties fall within Level 3 of the fair value hierarchy. The most significant input in the valuation approach adopted by the Group is adjusted price per square foot.

**5. INVENTORIES**

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
<b>Non-current</b>			
- Lands held for property development (Note 5.1)	<u>140,317</u>	<u>111,305</u>	<u>190,944</u>
<b>Current</b>			
- Completed development properties (Note 5.2)	18,986	15,994	16,157
- Property development costs (Note 5.3)	<u>43,509</u>	<u>70,890</u>	<u>59,049</u>
	<u>62,495</u>	<u>86,884</u>	<u>75,206</u>
Total inventories	<u>202,812</u>	<u>198,189</u>	<u>266,150</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**
**5. INVENTORIES (CONT'D)**
**5.1 Lands held for property development**

	<u>Lands cost</u> RM'000	<u>Development costs</u> RM'000	<u>Total</u> RM'000
At 1 January 2021	119,485	15,288	134,773
Transferred to property development costs	(2,737)	(283)	(3,020)
Cost incurred during the financial year	6,192	2,372	8,564
At 31 December 2021	122,940	17,377	140,317
Transferred to property development costs	(31,352)	(8,452)	(39,804)
Cost incurred during the financial year	1,978	1,533	3,511
Written off during the financial year	-	(194)	(194)
Acquisition of new entity	7,116	359	7,475
At 31 December 2022	100,682	10,623	111,305
Transferred from/(to) property development costs	14,148	(14,606)	(458)
Cost incurred during the financial year	4,830	26,363	31,193
Transferred from investment properties	49,268	-	49,268
Disposal during the financial year	(364)	-	(364)
At 31 December 2023	168,564	22,380	190,944
Land held for property development is analysed as follows:			
Freehold land	120,260	98,002	165,884
Leasehold land	2,680	2,680	2,680
	122,940	100,682	168,564

**5.2 Completed development properties**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
Completed development properties, at carrying amount	18,986	15,994	16,157
Charged to profit or loss:			
Cost of sales	(11,337)	(8,938)	(12,337)



**13. ACCOUNTANTS' REPORT (Cont'd)****5. INVENTORIES (CONT'D)****5.3 Property development costs**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
At 1 January	32,248	43,509	70,890
Development costs incurred during the financial year	59,166	73,252	107,383
Costs recognised in profit or loss during the financial year	(50,925)	(79,794)	(107,348)
Transferred from lands held for property development (Note 5.1)	3,020	39,804	458
Transferred to completed development units (Note 5.2)	-	(5,881)	(12,334)
At 31 December	<u>43,509</u>	<u>70,890</u>	<u>59,049</u>
Property development costs is analysed as follows:			
Freehold land	4,335	29,750	36,480
Development costs	<u>39,174</u>	<u>41,140</u>	<u>22,569</u>
	<u>43,509</u>	<u>70,890</u>	<u>59,049</u>

The net carrying amount of inventories pledged as security for bank facilities granted to the Group comprise the following:

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
Leasehold land	2,680	2,680	2,680
Freehold land	50,521	22,040	124,184
Development costs	13,007	9,750	5,449
Completed development properties	<u>3,372</u>	<u>3,383</u>	<u>-</u>

The inventories are stated at the lower of cost and net realisable value. The amount of inventories recognised as an expense during the financial year are included in the cost of sales of the Group.

**Land held for property development and property development costs**

Land held for property development consists of purchase of land, professional fees, stamp duties, commissions, conversion fees, other relevant levies and direct development cost incurred in preparing the land for development.

Land held for property development is defined as land on which development is not expected to be completed within the normal operating cycle, with usually no significant development work undertaken. Therefore, it is classified as non-current asset on the combined statements of financial position and is stated at cost plus incidental expenditure incurred to prepare the land for development.



**13. ACCOUNTANTS' REPORT (Cont'd)****5. INVENTORIES (CONT'D)****Land held for property development and property development costs (cont'd)**

Land on which development has commenced and is expected to be completed within the normal operating cycle is included in property development costs. The property development costs of the Group represent expenditures incurred related to residential developments. These costs comprise all expenses directly attributable to development activities or those that can be reasonably allocated to such activities.

The cost of inventory recognised in profit or loss upon disposal is determined by referring to the specific costs incurred on the property sold and any non-specific costs allocated based on the relative size of the property sold.

**Completed properties held for sale**

Completed properties held for sale are stated at the lower of cost and net realisable value. Cost includes the land cost, construction cost and other direct development expenditure.

**6. DEFERRED TAX ASSETS/(LIABILITIES)**

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
Deferred tax assets	2,916	2,722	5,142
Deferred tax liabilities	<u>(999)</u>	<u>(999)</u>	<u>(999)</u>
	<u>1,917</u>	<u>1,723</u>	<u>4,143</u>

The components and movement of the Group's deferred tax assets/(liabilities) are as follows:-

	<u>At 1 January</u> RM'000	Recognised in profit or loss (Note 22) RM'000	<u>At 31 December</u> RM'000
<b>2021</b>			
Inventories	3,337	(431)	2,906
Provision for liquidated damages	89	-	89
Property, plant and equipment	(97)	-	(97)
Investment properties – revaluation surplus of freehold lands previously classified under property, plant and equipment	<u>(981)</u>	<u>-</u>	<u>(981)</u>
	<u>2,348</u>	<u>(431)</u>	<u>1,917</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****6. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)**

The components and movement of the Group's deferred tax assets/(liabilities) are as follows (cont'd):-

	<u>At 1 January</u> RM'000	Recognised in profit or loss (Note 22) RM'000	<u>At 31 December</u> RM'000
<b>2022</b>			
Inventories	2,906	(105)	2,801
Provision for liquidated damages	89	(89)	-
Investment properties – revaluation surplus of freehold lands previously classified under property, plant and equipment	(981)	-	(981)
Property, plant and equipment	(97)	-	(97)
	<u>1,917</u>	<u>(194)</u>	<u>1,723</u>
<b>2023</b>			
Inventories	2,801	540	3,341
Provision for liquidated damages	-	2,489	2,489
Investment properties – revaluation surplus of freehold lands previously classified under property, plant and equipment	(981)	-	(981)
Property, plant and equipment	(97)	(609)	(706)
	<u>1,723</u>	<u>2,420</u>	<u>4,143</u>

Deferred taxes, other than temporary difference arose from the revaluation surplus of the freehold lands, is measured at the tax rate of 24% (2021 and 2022: 24%). The deferred tax liability arose from the revaluation surplus of the freehold lands, is measured at the Real Property Gains Tax ("RPGT") rate of 10% as the lands had been held for more than five years.

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

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
At 1 January	9,531	19,928	75,500
Revenue recognised during the financial year	104,868	151,553	202,753
Progress billings issued during the financial year	(94,471)	(95,981)	(175,834)
At 31 December	<u>19,928</u>	<u>75,500</u>	<u>102,419</u>
Presented as:			
Contract assets	28,139	75,500	102,536
Contract liabilities	(8,211)	-	(117)
	<u>19,928</u>	<u>75,500</u>	<u>102,419</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****7. CONTRACT ASSETS/(LIABILITIES) (CONT'D)**

Contract assets/(liabilities) represent the timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect physical completion of the contracts. Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billing to the customer. Contract liabilities are recognised as revenue when performance obligations are satisfied.

The increase in contract assets resulted from significant progress in development properties where the actual progress was higher than the amount billed to customers.

**8. CONTRACT COSTS**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
<b>Cost to obtain contracts</b>			
At 1 January	864	1,136	1,424
Costs incurred during the financial year	1,497	3,457	4,598
Costs recognised in profit or loss during the financial year	<u>(1,225)</u>	<u>(3,169)</u>	<u>(4,658)</u>
At 31 December	<u>1,136</u>	<u>1,424</u>	<u>1,364</u>

The costs to obtain contracts include sales commissions paid to intermediaries and expenses borne on behalf of customers, such as legal fees. These incremental costs would not have been incurred if the respective sale contracts had not been obtained. Since these costs are expected to be recovered through property development revenue earned from customers, they are systematically amortised when the related revenues are recognised.

Specifically, sales commissions are amortised against selling and marketing expenses; while expenses borne on behalf of customers, considered as consideration payable to customers are amortised against revenue. During the financial year, RM2,714,207 (31.12.2021: RM919,983 and 31.12.2022: RM1,783,862) was amortised to selling and marketing expenses while RM1,943,666 (31.12.2021: RM305,003 and 31.12.2022: RM1,385,071) was amortised against revenue.

**9. TRADE RECEIVABLES**

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
Trade receivables	31,094	10,173	21,298
Stakeholder sum	<u>1,420</u>	<u>2,600</u>	<u>4,306</u>
	<u>32,514</u>	<u>12,773</u>	<u>25,604</u>

Trade receivables of the Group are on 30-day terms (31.12.2021 and 31.12.2022: 30 days) from the date of progress billing and subject to late payment charges of 10% per annum on the outstanding balance.

Stakeholders' sum represents retention sums held by the solicitors upon handling over of vacant possession to individual purchasers of development properties. These amounts will be paid between 8 to 24 months from the delivery of vacant possession together with any interest earned.

**13. ACCOUNTANTS' REPORT (Cont'd)****10. OTHER RECEIVABLES**

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
Non-trade receivables	15,155	5,708	185
Sundry deposits	6,722	7,036	12,583
Prepayment	<u>693</u>	<u>586</u>	<u>1,952</u>
	<u>22,570</u>	<u>13,330</u>	<u>14,720</u>

Non-trade receivables of the Group are unsecured, non-interest bearing and receivable on demand.

Included in sundry deposits during the year 2023 were amounts paid under sales and purchase agreements as stated in the notes to the combined financial statements:

- (a) RM137,662 for the acquisition of a piece of Penang land (Note 31(a)); and
- (b) RM5,611,909 for the acquisition of 23 pieces of Penang lands (Note 31(b)).

**11. AMOUNT DUE (TO)/FROM RELATED PARTIES/DIRECTOR**

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
Trade related:			
Amount due from former related parties	-	13,648	-
Non-trade related:			
Amount due from former related parties	60,575	3,020	29
Amount due from companies in which Directors have interests	<u>13,983</u>	<u>-</u>	<u>-</u>
	<u>74,558</u>	<u>16,668</u>	<u>29</u>
Non-trade related:			
Amount due to a former related party	(88,915)	-	-
Amount due to a company in which a Director has interests	<u>(335)</u>	<u>-</u>	<u>-</u>
Amount due to Directors	<u>(27,724)</u>	<u>(33,943)</u>	<u>(7,458)</u>
	<u>(116,974)</u>	<u>(33,943)</u>	<u>(7,458)</u>

The amount due from/to related parties are unsecured, non-interest bearing and receivable/payable on demand, except for the trade balance which is on 30-day terms. The non-trade amounts are advances for working capital purposes, except for RM53,152,302 due from a former related party in year 2021, which was related to settlement of partial land costs.

Former related parties refer to companies in which certain Directors had interest, but which were disposed of during year 2022 and 2023 respectively.

The amount due to Directors are unsecured, non-interest bearing and payable on demand.

**13. ACCOUNTANTS' REPORT (Cont'd)****12. CASH AND SHORT-TERM DEPOSITS**

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
Cash and bank balances	8,882	13,826	28,555
Short-term deposits	-	23	23
	<u>8,882</u>	<u>13,849</u>	<u>28,578</u>

The cash at bank of the Group included an amount of RM15,195,765 (31.12.2021: RM7,185,759 and 31.12.2022: RM9,967,646) held under Housing Development Accounts pursuant to Housing Development (Control and Licensing) Act 1966, which was restricted from use in other operations.

**13. SHARE CAPITAL/INVESTED EQUITY****Share capital**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
Issued and fully paid ordinary shares with no par value:			
1,000 ordinary shares issued during the year/ at end of financial year	-	1	1

On 6 October 2022, SPB Development was incorporated with a total paid-up share capital of RM1,000 comprising 1,000 ordinary shares. The holders of the ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regards to the Company's residual assets.

**Invested equity**

	<u>2021</u> Unit'000	<u>2022</u> Unit'000	<u>2023</u> Unit'000
Issued and fully paid ordinary shares with no par value:			
At 1 January	24,550	24,550	32,050
Acquiring of a new entity	-	7,500	-
At 31 December	<u>24,550</u>	<u>32,050</u>	<u>32,050</u>

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
Issued and fully paid ordinary shares with no par value:			
At 1 January	24,550	24,550	32,050
Acquiring of a new entity	-	7,500	-
At 31 December	<u>24,550</u>	<u>32,050</u>	<u>32,050</u>

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

**13. ACCOUNTANTS' REPORT (Cont'd)****14. BORROWINGS**

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
<b>Non-current</b>			
Term loans	<u>1,330</u>	<u>13,045</u>	<u>13,265</u>
<b>Current</b>			
Bank overdrafts	<u>11,969</u>	<u>10,660</u>	<u>32,353</u>
Term loans	<u>398</u>	<u>3,023</u>	<u>3,858</u>
	<u>12,367</u>	<u>13,683</u>	<u>36,211</u>
<b>Total borrowings</b>	<u>13,697</u>	<u>26,728</u>	<u>49,476</u>

During the year 2021, the Group converted the remaining outstanding term loan amounted RM12 million to the bank overdraft facility for increased flexibility, improved cashflow management, and working capital purposes.

The borrowings of the Group are secured by the following:-

- (i) First party legal charge over the freehold land as disclosed in Note 4 to the combined financial statements;
- (ii) First party legal charge over certain completed development properties and land held for property development together with its development expenditures of the Group as disclosed in Note 5 to the combined financial statements;
- (iii) Corporate guarantee by SPBSB;
- (iv) Joint and several guarantee by certain Directors of the Group; and
- (v) Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad.

The effective interest rates of the borrowings are as follows:

	<u>31.12.2021</u> %	<u>31.12.2022</u> %	<u>31.12.2023</u> %
Bank overdrafts	4.0 - 5.6	3.5 - 6.6	6.8 - 7.1
Term loans	<u>3.5</u>	<u>5.6</u>	<u>3.5 - 6.8</u>

**15. LEASE LIABILITIES**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
At 1 January	501	656	796
Additions	500	601	338
Accretion of interest	21	37	45
Payments of principal and interests	<u>(366)</u>	<u>(498)</u>	<u>(532)</u>
At 31 December	<u>656</u>	<u>796</u>	<u>647</u>
<b>Presented as:</b>			
Current	282	409	397
Non-current	<u>374</u>	<u>387</u>	<u>250</u>
	<u>656</u>	<u>796</u>	<u>647</u>



**13. ACCOUNTANTS' REPORT (Cont'd)****15. LEASE LIABILITIES (CONT'D)**

The effective interest rates on lease liabilities of the Group range from 2.06% to 5.05% (31.12.2021: 2.09% to 2.52% and 31.12.2022: 2.06% to 4.80%) per annum.

The lease liabilities are secured by personal guarantee by certain Directors.

At the lease commencement date, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date, as the interest rate implicit in the lease is not readily determinable.

The maturity analysis of lease liabilities is disclosed in Note 27.2.2 to the combined financial statements.

The following amounts related to right-of-use assets and lease liabilities are recognised in profit or loss:

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
Depreciation expense of right-of-use assets	525	546	675
Interest expense on lease liabilities	21	37	45
Short-term lease expenses (included in administration expenses)	<u>38</u>	<u>73</u>	<u>40</u>

**16. TRADE PAYABLES**

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
Trade payables	10,749	6,275	30,245
Retention sums	<u>3,231</u>	<u>9,655</u>	<u>9,655</u>
	<u>13,980</u>	<u>15,930</u>	<u>39,900</u>

The normal credit terms extended by suppliers range from 30 to 60 days (31.12.2021 and 31.12.2022: 30 to 60) days. The retention sums are repayable upon the expiry of the defects liability period.

**13. ACCOUNTANTS' REPORT (Cont'd)****17. OTHER PAYABLES**

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
Non-trade payables	10,690	6,424	9,359
Accruals	829	846	1,146
Deposit received	37	784	567
Rental income received in advance	75	75	-
	<u>11,631</u>	<u>8,129</u>	<u>11,072</u>

Non-trade payables of the Group are unsecured, non-interest bearing and repayable on demand.

**18. REVENUE**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
<u>Revenue from contract customers:</u>			
- Construction services	2,665	12,281	-
- Sale of development properties under construction	81,087	122,162	167,420
- Sale of land	-	-	606
- Sales of completed properties	20,811	15,725	32,784
	<u>104,563</u>	<u>150,168</u>	<u>200,810</u>
<u>Timing of recognition:</u>			
- Over time	83,752	134,443	167,420
- At a point in time	20,811	15,725	33,390
	<u>104,563</u>	<u>150,168</u>	<u>200,810</u>

All of the Group's revenue is generated from Malaysia.

**Revenue from construction services and sale of properties under development**

Revenue from construction services and sale of properties under development is measured at the fixed transaction price agreed under the agreement, net of expenses borne on behalf of the customers and the provision of liquidated ascertained damages.

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

Revenue from construction services and sales of development properties under construction is recognised over the period of the contract using the input method by referencing the costs incurred for work performed to date against the estimated costs to completion if control of the asset transfers over time. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.



### 13. ACCOUNTANTS' REPORT (Cont'd)

#### 18. REVENUE (CONT'D)

##### **Revenue from construction services and sale of properties under development (cont'd)**

The Group identifies performance obligations that are distinct and material, which require judgement within the context of contracts. The Group also estimates total contract costs in applying the input method to recognise revenue over time. In estimating the total costs to complete, the Group considers the completeness and accuracy of its cost estimates, including its obligations related to contract variations, claims and cost contingencies.

There is no significant financing component in the revenue from construction services and sale of properties under development, as the contracts are on normal credit terms not exceeding 12 months.

Information on contract assets, contract liabilities from contracts with customers and trade receivables are disclosed in Notes 7 and 9 to the combined financial statements respectively.

The nature of the properties that the Group has promised to transfer to purchasers are residential units. These properties are subject to a Defects Liability Period of generally 24 months from the date of delivering vacant possession to the purchasers. During this period, the Group must rectify any defects due to design, materials, goods or workmanship that are not in accordance with the sales and purchase agreements.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at the reporting date is RM91,605,809 (2021: RM179,826,702 and 2022: RM170,603,213). The remaining performance obligations are expected to be recognised within 2 years, in accordance with the agreed time frames stated in the sale and purchase agreements signed with purchasers.

##### **Sales of completed properties and land**

The Group recognises sales at a point in time for the sale of completed properties and land, when the control of the properties and land have been transferred to the purchasers. This occurs when the properties and land are completed and/or delivered to the customers, and it is probable that the Group will collect the considerations to which it would be entitled to in exchange for the assets sold. Sales represent gross invoiced value of properties sold, net of discounts.

There is no significant financing component in the revenue from sales of completed properties and land as the contracts are on normal credit terms not exceeding 12 months.

**13. ACCOUNTANTS' REPORT (Cont'd)****19. OTHER INCOME**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
Administrative and management fees	53	1,569	442
Gain on disposal of property, plant and equipment	-	349	-
Rental income	663	662	259
Wages subsidies received	55	-	-
Others	131	414	106
	<u>902</u>	<u>2,994</u>	<u>807</u>

**20. FINANCE COSTS**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
Bank overdraft interest	138	753	1,526
Lease liabilities interest	21	37	45
Loan interest	1,570	159	952
	<u>1,729</u>	<u>949</u>	<u>2,523</u>

The effective interest rates are disclosed in Notes 14 and 15 to the combined financial statements respectively.

**21. PROFIT BEFORE TAX**

Profit before tax has been determined after charging, except as disclosed in Notes 19, 20 and 23, the following:-

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
Depreciation of:			
- investment properties	84	84	84
- property, plant and equipment	914	1,152	2,208
Bad debts written off	21	-	-
Short-term lease of premise and office equipment	38	73	40

**13. ACCOUNTANTS' REPORT (Cont'd)****22. TAX EXPENSES**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
<b>Current tax</b>			
- Current year	7,452	11,819	18,558
- Over provision in prior years	-	(53)	(184)
<b>Deferred tax</b>			
- Current year	431	194	(2,794)
- Under provision in prior years	-	-	374
<b>Total</b>	<u>7,883</u>	<u>11,960</u>	<u>15,954</u>

The Group calculates Malaysian income tax at the statutory tax rate of 24% on the estimated taxable profits for the financial year.

The numerical reconciliation between the Group's effective tax rate and the statutory tax rate is as follows:-

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
Profit before tax	<u>32,556</u>	<u>51,620</u>	<u>61,971</u>
Tax at Malaysian statutory tax rate of 24%	7,813	12,389	14,873
Tax effects in respect of:-			
Tax saving on first tranche of chargeable income	(112)	(125)	(7)
Tax saving from land cost which subject to RPGT rate	(518)	(433)	-
Income not subject to tax	(43)	(174)	(222)
Expenses not deductible for tax purposes	742	281	1,202
Movement of deferred tax not recognised (Over)/under provision in prior year	-	(53)	190
	<u>7,883</u>	<u>11,960</u>	<u>15,954</u>

Deferred tax assets have not been recognised for the following items:

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
Unabsorbed tax losses	285	644	520
Unutilised capital allowances	314	320	323
Property, plant and equipment	(384)	(438)	(658)
	<u>215</u>	<u>526</u>	<u>185</u>

The Group has not recognised potential deferred assets for these items as it is not probable that sufficient taxable profits will be available to utilise these benefits in the near future. The Group's unabsorbed tax losses and unutilised capital allowances can be carried forward to offset against future taxable profits.

**13. ACCOUNTANTS' REPORT (Cont'd)****22. TAX EXPENSES (CONT'D)**

Effective Year of Assessment 2019, as announced in Annual Budget 2022, the unabsorbed tax losses of the Group as of 31 December 2018 and thereafter will be available for carry forward for a period of 10 consecutive years. Upon expiry of the 10-year period, any unabsorbed tax losses will be disregarded.

The expiry date of the unabsorbed tax losses is summarised as follows:

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
Year assessment 2028	161	161	135
Year assessment 2029	101	101	92
Year assessment 2030	18	18	10
Year assessment 2031	5	49	43
Year assessment 2032	-	315	226
Year assessment 2033	-	-	14
	<u>285</u>	<u>644</u>	<u>520</u>

**23. EMPLOYEE BENEFITS EXPENSE**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
<u>Staff's remuneration</u>			
Salaries, wages and other emoluments	2,639	2,945	5,177
Directors' remuneration	1,154	1,550	2,024
Defined contribution plan	318	341	649
Social security contribution	13	60	60
Other benefits	269	411	512
Total	<u>4,393</u>	<u>5,307</u>	<u>8,422</u>

**24. EARNINGS PER SHARE**Basic earnings per share

Basic earnings per share for the year is calculated by dividing the net profit for the financial year attributable to common controlling shareholders by the weighted average number of ordinary shares in issue.

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Profit attributable to owners of the Company (RM'000)	24,673	39,660	46,017
Weighted average number of ordinary shares in issue (Number of shares '000) (including invested equity)	<u>24,550</u>	<u>29,933</u>	<u>32,051</u>
Basic earnings per share	<u>1.00</u>	<u>1.32</u>	<u>1.44</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****24. EARNINGS PER SHARE (CONT'D)**Diluted earnings per share

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

**25. DIVIDEND**

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
In respect of financial year ended 31 December:			
Interim dividend of RM0.11 per ordinary share paid in January 2022	2,080	-	-
Interim dividend of RM0.21 per ordinary share fully paid in November 2023	-	4,451	-
Interim dividend of RM1.65 per ordinary share paid in September 2022 and April 2023	-	577	-
Interim dividend of RM0.47 per ordinary share fully paid in June 2024	-	-	4,324
	<u>2,080</u>	<u>5,028</u>	<u>4,324</u>

The Group did not propose any final dividend for the respective financial years.

**26. RELATED PARTY DISCLOSURES****(a) Identify of related parties**

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

Related parties also include key management personnel defined as individuals with authority and responsibility for the Group's activities, either planning, directing and controlling the activities, directly or indirectly. The key management personnel include all the Directors of the Group.

The Group has related party relationship with its related parties, including key management personnel and companies in which certain Directors have a substantial financial interest.

**13. ACCOUNTANTS' REPORT (Cont'd)****26. RELATED PARTY DISCLOSURES (CONT'D)****(b) Significant related party transactions**

Significant transactions of the Group with a related party during the financial year, not disclosed elsewhere in the combined financial statements are as follows:-

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
<u>Related parties by the virtue of</u>			
<u>common shareholders</u>			
- Management fee charged by	(60)	(45)	-
- Short-term lease of premise	(12)	(34)	(100)
- Advances	<u>824</u>	<u>48</u>	<u>-</u>
<u>Former related parties by the</u>			
<u>virtue of common shareholders</u>			
- Construction services	2,665	12,281	-
- Management fee charged to	53	1,564	-
- Advances	<u>287</u>	<u>101</u>	<u>210</u>
<u>Director</u>			
- Assignment of debts from a trade payable	<u>-</u>	<u>(9,190)</u>	<u>-</u>

The Directors are of the opinion that the above transactions were entered into in the normal course of business and established under negotiated terms.

**(c) Significant related party balances**

The outstanding balances arising from related party transactions as at the reporting date are disclosed in Note 11 to the combined financial statements.

**(d) Compensation of key management personnel**

Key management personnel are defined as individuals who have authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly, as well as entities that provide key management personnel services to the Group.



**13. ACCOUNTANTS' REPORT (Cont'd)****26. RELATED PARTY DISCLOSURES (CONT'D)****(d) Compensation of key management personnel (cont'd)**

Key management includes all the Directors of the Group.

	<u>2021</u> RM'000	<u>2022</u> RM'000	<u>2023</u> RM'000
<u>Directors' remuneration:</u>			
Salaries and other emoluments (included Employment Insurance Scheme)	966	1,301	1,700
Defined contribution plan	183	243	316
Social security contribution	5	6	8
	<u>1,154</u>	<u>1,550</u>	<u>2,024</u>

The estimated monetary value of benefit-in-kind receivable by the Directors and key management personnel of the Group, other than in cash, amounted to RM108,068 (2021: RM39,991 and 2022: RM119,136).

**27. FINANCIAL INSTRUMENTS****27.1 Categories of financial instruments**

The Group carries only financial assets and financial liabilities at amortised costs on its statements of financial position.

Financial assets at amortised cost include trade and most other receivables, amount due from related parties, and cash and cash equivalents.

Financial liabilities at amortised cost include trade and most other payables, amount due to related parties, and borrowings.

**27.2 Financial risk management**

The Group is exposed to financial risks arising from its operations and the use of financial instruments. It has established policies and procedures to ensure effective management of credit risk, liquidity risk, interest rate risk and foreign currency risk

The following sections explain the key risks faced by the Group and how they are managed.

**27.2.1 Credit risk**

Credit risk is the potential risk for a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Concentration of credit risk occurs when changes in economic, industry and geographical factors affect a group of counterparties whose aggregate credit exposure is significant relative to the Group's total credit exposure. To mitigate this risk, the Group conducts transactions with various creditworthy counterparties.

**13. ACCOUNTANTS' REPORT (Cont'd)****27. FINANCIAL INSTRUMENTS (CONT'D)****27.2 Financial risk management (cont'd)****27.2.1 Credit risk (cont'd)**

The Group's policy is to enter into a financial instrument with a diversity of creditworthy counterparties. Hence, the Group does not expect to incur material credit losses on its financial assets or other financial instruments.

The Group's policy also requires all customers seeking credit terms to undergo credit verification procedures. Credit terms are not granted without management approval.

The areas where the Group is exposed to credit risk are as follows:-

Trade receivables and contract assets

To mitigate credit risk on trade receivables from the sale of development properties, the Group retains ownership of the properties until purchasers have fully settled their self-financed portion and their end-financier has completed the end-financing undertaking.

An impairment analysis is performed at each reporting date using a provision matrix to assess expected credit losses. The provision rates are based on days past due for different customer segments with similar loss patterns. This includes customer type, rating and collateral coverage. The calculation takes into account the probability-weighted outcome, time value of money, and reasonable and supportable information on past events, current conditions, and future economic forecasts available at the reporting date. Trade receivables are written off if deemed uncollectable by the Directors.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial assets. Collateral is regarded as integral part of trade receivables and thus considered in the calculation of impairment. Since most of the Group's trade receivables are covered by collateral, no credit losses are expected as of the reporting date.

The following table summarises the credit risk exposure on the Group's trade receivables and contract assets using provision matrix:-

	Gross carrying <u>amount</u> RM'000	Expected <u>credit loss</u> RM'000	Net carrying <u>amount</u> RM'000
<b>31.12.2021</b>			
Not past due	12,685	-	12,685
Past due 1 to 30 days	3,607	-	3,607
Past due 31 to 60 days	11,489	-	11,489
Past due 61 to 90 days	959	-	959
Past due more than 90 days	3,774	-	3,774
Trade receivables	<u>32,514</u>	<u>-</u>	<u>32,514</u>
Contract assets	<u>28,139</u>	<u>-</u>	<u>28,139</u>



**13. ACCOUNTANTS' REPORT (Cont'd)****27. FINANCIAL INSTRUMENTS (CONT'D)****27.2 Financial risk management (cont'd)****27.2.1 Credit risk (cont'd)**

The areas where the Group is exposed to credit risk are as follows (cont'd):-

Trade receivables and contract assets (cont'd)

The following table summarises the credit risk exposure on the Group's trade receivables and contract assets using provision matrix (cont'd):-

	Gross carrying <u>amount</u> RM'000	Expected <u>credit loss</u> RM'000	Net carrying <u>amount</u> RM'000
<b>31.12.2022</b>			
Not past due	5,072	-	5,072
Past due 1 to 30 days	1,852	-	1,852
Past due 31 to 60 days	2,063	-	2,063
Past due 61 to 90 days	923	-	923
Past due more than 90 days	2,863	-	2,863
Trade receivables	<u>12,773</u>	<u>-</u>	<u>12,773</u>
Contract assets	<u>75,500</u>	<u>-</u>	<u>75,500</u>
<b>31.12.2023</b>			
Not past due	12,488	-	12,488
Past due 1 to 30 days	1,411	-	1,411
Past due 31 to 60 days	3,639	-	3,639
Past due 61 to 90 days	310	-	310
Past due more than 90 days	7,756	-	7,756
Trade receivables	<u>25,604</u>	<u>-</u>	<u>25,604</u>
Contract assets	<u>102,536</u>	<u>-</u>	<u>102,536</u>

Other receivables

Credit risks related to other receivables primarily arises from advance payments to suppliers and sundry deposits made in the normal course of business. The Group considers these receivables to have low credit risk.

As at the end of the reporting date, the maximum exposure to credit risk is represented by the carrying amounts in the combined statement of financial position and the Group did not recognise any allowance for impairment losses.

Cash and cash equivalents

The credit risk associated with cash and cash equivalents is considered negligible, since the counterparties are reputable financial institutions with high-quality external credit ratings.

**13. ACCOUNTANTS' REPORT (Cont'd)****27. FINANCIAL INSTRUMENTS (CONT'D)****27.2 Financial risk management (cont'd)****27.2.2 Liquidity risk**

Liquidity risk is the risk that the Group may be unable to meet its financial obligations as and when they fall due, due to shortage of funds.

In managing its exposures to liquidity risk that arises principally from its various payables, loans and borrowings, the Group maintains an adequate level of cash, cash equivalents and bank facilities. This approach ensures that the Group has sufficient liquidity to meet its obligations as and when they fall due.

The Group strives to balance sufficient cash and deposits with flexibility in funding by securing a variety of committed and uncommitted credit facilities from multiple banks.

The summary of the maturity profile based on the contractual undiscounted repayment obligations is as follows:-

	Carrying amount RM'000	Contractual Cash Flows		
		Less than 1 year RM'000	Between 1 to 5 years RM'000	Total RM'000
<b>31.12.2021</b>				
Trade payables	13,980	13,980	-	13,980
Other payables	11,556	11,556	-	11,556
Amount due to related parties	116,974	116,974	-	116,974
Borrowings	13,697	12,405	1,404	13,809
Lease liabilities	656	300	383	683
	<u>156,863</u>	<u>155,215</u>	<u>1,787</u>	<u>157,002</u>
<b>31.12.2022</b>				
Trade payables	15,930	15,930	-	15,930
Other payables	8,054	8,054	-	8,054
Amount due to related parties	33,943	33,943	-	33,943
Borrowings	26,728	14,253	13,974	28,227
Lease liabilities	796	434	391	825
	<u>85,451</u>	<u>72,614</u>	<u>14,365</u>	<u>86,979</u>
<b>31.12.2023</b>				
Trade payables	39,900	39,900	-	39,900
Other payables	11,072	11,072	-	11,072
Amount due to director	7,458	7,458	-	7,458
Borrowings	49,476	40,250	10,914	51,164
Lease liabilities	647	418	255	673
	<u>108,553</u>	<u>99,098</u>	<u>11,169</u>	<u>110,267</u>

The above amounts reflect the contractual undiscounted cash flows, which may differ from the carrying values of financial liabilities at the reporting date.

**13. ACCOUNTANTS' REPORT (Cont'd)****27. FINANCIAL INSTRUMENTS (CONT'D)****27.2 Financial risk management (cont'd)****27.2.3 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to interest rates changes. Whereas its variable rate borrowings are exposed to the risk of change in cash flows due to fluctuating interest rates. Short-term receivables and payables are not significantly exposed to interest rate risk.

The Group aims to manage interest expenses while maintaining an acceptable level of exposure to interest rate fluctuations. To achieve this, the Group targets a mix of fixed and floating debts based on assessment of its existing exposure and desired interest rate profile.

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

	<u>31.12.2021</u> RM'000	<u>31.12.2022</u> RM'000	<u>31.12.2023</u> RM'000
<b>Fixed rate instruments</b>			
<u>Financial liabilities</u>			
Lease liabilities	656	796	647
Term loans	<u>1,728</u>	<u>1,346</u>	<u>950</u>
	<u>2,384</u>	<u>2,142</u>	<u>1,597</u>
<b>Floating rate instruments</b>			
<u>Financial liabilities</u>			
Bank overdrafts	11,969	10,660	32,353
Term loans	<u>-</u>	<u>14,722</u>	<u>16,173</u>
	<u>11,969</u>	<u>25,382</u>	<u>48,526</u>

Fair values sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore, a change in interest rates as at the reporting date would not affect its profit or loss.

**13. ACCOUNTANTS' REPORT (Cont'd)****27. FINANCIAL INSTRUMENTS (CONT'D)****27.2 Financial risk management (cont'd)****27.2.3 Interest rate risk (cont'd)**Cash flow sensitivity analysis for variable rate instruments

The following table illustrates the sensitivity of profit and equity to a reasonably possible change in interest rate of +/-50 (31.12.2020 and 31.12.2021: +/-50) basis points ("bp"). These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on a change in the average market interest rate for each period, and the financial instruments held at each reporting date are sensitive to changes in interest rate. All other variables are held constant.

	Impact on profit/equity (Decrease)/Increase	
	+50bp	-50bp
	RM'000	RM'000
31.12.2021	(59)	59
31.12.2022	(127)	127
31.12.2023	(243)	243

**27.3 Fair value of financial instruments**

The carrying amounts of the Group's financial assets and financial liabilities at the reporting date approximate their fair values due to (1) their short term nature (2) the re-pricing of floating rate instruments to market rates on or close to the reporting date; and (3) the immaterial impact of discounting effects.

**27.4 Fair value hierarchy**

No fair value hierarchy has been disclosed as the Group does not have financial instruments measured at fair value.

**28. OPERATING SEGMENT**

The Group primarily operates in Malaysia within the property construction and development sector. The chief operating decision maker regards the Group as a single reportable segment; hence the Group does not present its results by geographical area or product and services segment. There were no major customer contributing to 10% or more of the total revenue.

**29. CAPITAL COMMITMENT**

	31.12.2021 RM'000	31.12.2022 RM'000	31.12.2023 RM'000
<b>Capital expenditure</b>			
- Acquisition of lands	-	-	97,755

**13. ACCOUNTANTS' REPORT (Cont'd)****30. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to maintain a strong credit rating and healthy capital ratio to support its business and maximise shareholders' value.

The Group adjusts its capital structure in light of changes in economic conditions. This may involve modifying dividend payments, returning capital to shareholders, or issuing new share capital. There were no changes to the capital management objective, policies or processes during the financial years.

**31. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR**

- (a) On 16 June 2023, Modal Cergas Lestari Sdn. Bhd. entered into a Sale and Purchase Agreement with a vendor for the acquisition of a piece of Penang land at a total consideration of RM1,376,622.10. The Group paid a deposit of RM137,662 as disclosed in Note 10. The transaction was completed on 15 January 2024.
- (b) On 16 June 2023, Dayang Gemilang Sdn. Bhd. entered into a Sale and Purchase Agreement with a vendor for the acquisition of 23 pieces Penang lands at total consideration of RM56,119,093.10. The Group paid a deposit of RM5,611,909 as disclosed in Note 10. The transaction was completed on 15 January 2024.
- (c) On 30 January 2024, Dayang Gemilang Sdn. Bhd. entered into 2 Sale and Purchase Agreements with a vendor for the acquisition of 2 pieces of freehold lands at total consideration of RM605,658. The transaction was completed on 3 July 2024.
- (d) On 7 February 2024, SPBSB has acquired 250,000 ordinary shares, representing 2.72% of the total issued share capital of Rentas Dinamik Sdn. Bhd. for a total purchase consideration of RM1,248,236.47.
- (e) On 18 April 2024, Ekuiti Idaman Sdn. Bhd. ("Ekuiti Idaman") entered into a sale and purchase agreement with a vendor for the acquisition of 7 pieces Plentong, Johor Bahru lands at total consideration of RM110,000,000. As of the approval date of the combined financial statements, the transaction has not yet been completed.
- (f) On 18 April 2024, Ekuiti Idaman entered into a joint venture agreement ("JVA") with Malaysia Pacific Corporation Berhad ("MP Corp"), Oriental Pearl City Properties Sdn. Bhd., Lakehill Resort Development Sdn. Bhd. ("Lakehill") and Taman Bandar Baru Masai Sdn. Bhd. ("TBBM") (collectively referred to as "MP Corp Group") whereby the parties agreed to develop all those lands comprised in 12 block titles all located in Mukim Plentong, Daerah Johor Bahru, Negeri Johor measuring approximately 189.18 acres ("TBBM Lands") which are registered under TBBM's name on a joint venture basis.

In consideration of RM181,294,977.60 ("JVA Price") to be paid by Ekuiti Idaman to Lakehill, MP Corp Group has agreed to appoint Ekuiti Idaman as the developer for the TBBM Lands according to the terms and conditions in the JVA.



**13. ACCOUNTANTS' REPORT (Cont'd)****31. SIGNIFICANT EVENTS DURING AND AFTER THE FINANCIAL YEAR (CONT'D)****(f) (Cont'd)**

Ekuiti Idaman is required to pay a consideration of RM181,294,966.60 to Lakehill in the following manner:

- (i) RM1,000,000 as an earnest deposit, payable prior to the execution of the JVA;
- (ii) RM4,438,849.31 as an initial deposit, which together with the earnest deposit equals to 3% of the JVA price, payable simultaneously with the execution of the JVA;
- (iii) RM12,690,648.40, equivalent to 7% of the JVA price, payable within 3 business days from the fulfilment of the last condition precedent as per the JVA ;
- (iv) The remaining amount, payable in 10 equal yearly installments, either in cash or in kind (through the delivery of completed buildings on a phase-to-phase basis) with the first instalment commencing on 31 December 2025, subject to MP Corp Group's compliance with the JVA.

As of the approval date of the combined financial statements, the transaction has not yet been completed.

- (g) On 19 April 2024, Dayang Gemilang Sdn. Bhd. entered into a Sale and Purchase Agreement with 5 vendors for the acquisition of a piece of freehold land at total consideration of RM394,653.20. The transaction was completed on 18 July 2024.
- (h) On 8 August 2024, the Company entered into 11 conditional share sale and purchase agreements as follows:
  - (i) 6 conditional share sale and purchase agreements with Datuk Yap and Datin Loh to acquire the entire issued share capital of Dayang Gemilang Sdn. Bhd., Debunga Istimewa Sdn. Bhd., Good Rate Holdings Sdn. Bhd., Jendela Hijau Sdn. Bhd., Laman Exotika Sdn. Bhd. and SPBSB respectively for an aggregate consideration of RM381,456,662.56, wholly satisfied by the issuance of 707,449,300 new Shares at an issue price of approximately RM0.54 per Share;
  - (ii) a conditional share sale and purchase agreement with Datuk Yap, Datin Loh, Datuk Jacky Yap and Datuk Sean Yap to acquire the entire issued share capital of Hektar Berlian Sdn. Bhd. for an aggregate consideration of RM1,875,014.08, wholly satisfied by the issuance of 3,477,400 new Shares at an issue price of approximately RM0.54 per Share;
  - (iii) 3 conditional share sale and purchase agreements with Datuk Yap, Datuk Jacky Yap and Datuk Sean Yap to acquire the entire issued share capital of Naluri Wijaya Sdn. Bhd., Panglima Juara Sdn. Bhd. and Setara Hijau Sdn. Bhd. respectively for an aggregate consideration of RM6,546,427.20, wholly satisfied by the issuance of 12,141,000 new Shares at an issue price of approximately RM0.54 per Share; and
  - (iv) a conditional share sale and purchase agreement with Datuk Yap to acquire the entire issued share capital of Mantap Megajuta Sdn. Bhd. for an aggregate consideration of RM7,457,836.96, wholly satisfied by the issuance of 13,831,300 new Shares at an issue price of approximately RM0.54 per Share.

As of the approval date of the combined financial statements, the acquisitions had not yet been completed.

**13. ACCOUNTANTS' REPORT (Cont'd)**

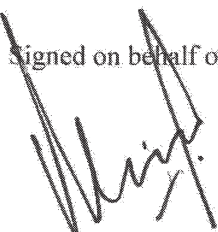
**SPB DEVELOPMENT BERHAD**

(Incorporated in Malaysia)

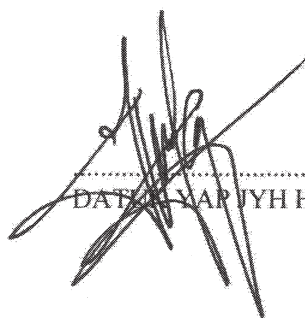
**STATEMENT BY DIRECTORS**

We, the undersigned, being the Directors of the Group, do hereby state that, in our opinion, the accompanying combined financial statements set out on pages 4 to 45 are drawn up in accordance with Malaysian Financial Reporting Standards and IFRS Accounting Standards so as to give a true and fair view of the combined financial position as at 31 December 2021, 31 December 2022 and 31 December 2023 and of its financial performance and cash flows for the financial years ended 31 December 2021, 31 December 2022 and 31 December 2023.

Signed on behalf of the Directors in accordance with a resolution of the Board of Directors,



.....  
DATUK YAP PIT KIAN



.....  
DATUK YAP JYH HAUR

Kuala Lumpur

**18 SEP 2024**