ANNEXURE E - ADDITIONAL DISCLOSURES

ADDITIONAL TAX PAYABLES AND TAX PENALTIES

A summary of the additional tax payables and tax penalties imposed by the Inland Revenue Board of Malaysia on our Group and additional tax payables and tax penalties paid by our Group for the last 8 years of assessment ("**YA**") are as follows:

Company name	Nature of tax non-compliance	YA / Calendar period	Additional tax payables	Total tax penalties paid	Potential maximum penalty	Reasons for tax non-compliance
			RM	**RM**	**RM**	
SPBSB	Underestimation of tax payable	2020	-	4,757.53	-	During the year 2020, our revenue projection for FYE 2020 was conservative taking into consideration the COVID-19 pandemic situation. However, we recorded a better than expected revenue in the FYE 2020 due to faster construction progress than expected for project development of Taman Nuri Sentosa and Taman Bukit Cheng as of December 2020, which give rise to the underestimation of tax payable in YA 2020 for SPBSB.
	Additional corporate income tax and penalties paid	2016 to 2017	251,028.96	25,102.90	-	Incorrect tax treatment on expenses related to advertisement editorial work and inadvertent omission of deemed interest income on the advance to director.
	Additional corporate income tax paid	2018 to 2021	9,476.40	-	-	Incomplete supporting documentation for administrative expenses.
	Non-compliance with IRB's Operational Guidelines in respect of monthly scheduler tax deduction ("**MTD**") computation	2020	-	1,400.00	-	Omission of allowance and benefit-in kind to employees in the MTD computations.
		2021	-	600.00	-	Omission of allowance and benefit-in kind to employees in the MTD computations.
		2016 to 2019 January 2022 to August 2022	-	-	11,200.00	Omission of allowance and benefit-in kind to employees in the MTD computations.

ANNEXURE E - ADDITIONAL DISCLOSURES *(Cont'd)*

Company name	Nature of tax non-compliance	YA / Calendar period	Additional tax payables	Total tax penalties paid	Potential maximum penalty	Reasons for tax non-compliance
			RM	RM	RM	
	Late submission of withholding tax returns	2017	-	959.98	-	Lack of familiarity with the newly introduced withholding tax regulations in respect of the payments made to social media platforms.
		2018	-	1,718.77	-	Lack of familiarity with the newly introduced withholding tax regulations in respect of the payments made to social media platforms.
Subtotal			**260,505.36**	**34,539.18**	**11,200.00**	
Laman Exotika	Additional corporate income tax and penalties paid	2016 to 2017	15,614.88	1,561.49	-	Incorrect tax treatment of expenses related to the upkeep of motor vehicles.
	Additional corporate income tax paid	2018 to 2021	10,021.44	-	-	Incomplete supporting documentation for administrative expenses.
	Non-compliance with IRB's Operational Guidelines in respect of MTD computation	2019	-	2,400.00	-	Omission of allowance and benefit-in kind to employees in the MTD computations.
		2020	-	2,400.00	-	Omission of allowance and benefit-in kind to employees in the MTD computations.
		2016 to 2018 2021 January 2022 to August 2022	-	-	11,200.00	Omission of allowance and benefit-in kind to employees in the MTD computations.
	Late submission of withholding tax returns	2019	-	1,067.10	-	Lack of familiarity with the newly introduced withholding tax regulations in respect of the payments made to social media platforms.
		2020	-	4,652.24	-	Lack of familiarity with the newly introduced withholding tax regulations in respect of the payments made to social media platforms.
		2021	-	376.97	-	Unforeseen staffing issues resulting in late submission of withholding tax after the deadline.

ANNEXURE E - ADDITIONAL DISCLOSURES *(Cont'd)*

Company name	Nature of tax non-compliance	YA / Calendar period	Additional tax payables	Total tax penalties paid	Potential maximum penalty	Reasons for tax non-compliance
			RM	RM	RM	
		2022	-	6.16	-	Unforeseen staffing issues resulting in late submission of withholding tax after the deadline.
Subtotal			**25,636.32**	**12,463.96**	**11,200.00**	
Dayang Gemilang	Underestimation of tax payable	2021 and 2022	**-**	**14,830.92**	**-**	During the year 2021, our revenue projection for FYE 2021 was conservative taking into consideration the then ongoing COVID-19 pandemic situation. However, we recorded a better than expected revenue in the FYE 2021 due to faster construction progress than expected for the project development for Taman La Casa Lunas 3A as of December 2021, which give rise to the underestimation of tax payable for YA 2021. For YA 2022, the underestimation of tax payable was attributed to faster construction progress than expected for Taman La Casa Lunas Phase 3B and 2 as of December 2022 as we used additional aluminium formwork which reduced the construction time.
Naluri Wijaya	Underestimation of tax payable	2018	-	3.06	-	Underestimation of the interest income received from the bank.
	Non-compliance with IRB's Operational Guidelines in respect of MTD computation	2016 2017	-	-	4,800.00	Omission of allowance to employees in the MTD computations.
Subtotal			**-**	**3.06**	**4,800.00**	
Rentas Dinamik	Additional corporate income tax and penalty paid	2016	**1,044.72**	**104.47**	**-**	Incorrect tax treatment of expenses related to the upkeep of motor vehicles.
Hektar Berlian	Late submission of withholding tax returns	2022	**-**	**0.51**	**-**	Unforeseen staffing issues resulting in late submission of withholding tax after the deadline.
Total			**287,186.40**	**61,942.10**	**27,200.00**	

The total tax liabilities, tax penalties paid and the potential maximum tax penalties our Group may incur for all the above tax non-compliances highlighted are approximately RM376,000, which is less than 0.90% of our Group's PAT for FYE 2023. All of the tax penalties have been settled and the potential maximum tax penalty of RM27,200 is not material. In this regard, the tax non-compliances will not have any material adverse impact to the business operations and financial condition of our Group and our Group has not experienced any material adverse impact on the business operations and/or financial condition arising from these tax non-compliances.

Further details of the tax penalties imposed on our Group are as follows:

(i) SPBSB

<u>Additional corporate income tax and penalties paid for YA 2016 and YA 2017</u>

SPBSB had participated in Special Voluntary Disclosure Programme ("**SVDP**") and subjected to additional tax liabilities of RM276,131.86 (comprising additional tax paid of RM251,028.96 and penalty of 25,102.90) for YA 2016 and YA 2017. SPBSB had settled the said tax liabilities within the stipulated period and obtained the clearance letter in May 2019 that explicitly stated that the IRB would not conduct a tax audit or investigation on corporate income tax for YA 2016 and YA 2017.

SPBSB's participation in SVDP for the YA 2016 is to rectify the tax treatment of expenses related to advertisement editorial work on the website of SPBSB, which should be treated as capital expenditures and consequently ineligible for tax deductions.

Similarly, SPBSB's participation in SVDP for the YA 2017 is to rectify an inadvertent omission of deemed interest income on the advance to director in the income tax return. According to Section 140B of ITA, if a company provides loans or advances to directors which are fully funded from internal funds, the company shall be deemed to have a gross income consisting of interest from such loans or advances for that basis period.

<u>Additional corporate income tax paid for YA 2018 to YA 2021</u>

SPBSB had participated in Special Voluntary Disclosure Programme 2.0 ("**SVDP 2.0**") and subjected to additional tax liabilities of RM9,476.40 for YA 2018 to YA 2021. SPBSB had settled the said tax liabilities within the stipulated period and obtained the clearance letter in September 2023 that explicitly stated that the IRB would not conduct a tax audit or investigation on corporate income tax for YA 2018 to YA 2021.

SPBSB participated in SVDP 2.0 scheme to rectify the situation of incomplete supporting documentation, thereby opting to add back administrative expenses for the years of assessment 2018 to 2021.

<u>Late submission of withholding tax returns for YA 2017 and YA 2018</u>

SPBSB failed to submit the withholding tax returns for YA 2017 and YA 2018 to the IRB within the stipulated timeframe. SPBSB had paid an estimated potential maximum penalty of RM959.98 for YA 2017 and RM1,718.77 for YA 2018 to the IRB as of the date of LPD. The estimated penalties are equivalent to 10% of the unpaid withholding tax on the due date.

The delay in submitting the withholding tax return was due to lack of familiarity with the newly introduced withholding tax regulations. It was later clarified by Practice Note No.1/2018 issued by IRB on 16 March 2018, and further elucidated by the Guidelines on Taxation of e-commerce Transactions on 13 May 2019 that payments made to social media platforms are categorised as royalties, thus subject to withholding tax under Section 109 of the ITA.

SPBSB has also enhanced its standard operating procedures for payments to non-residents since September 2022.

Non-compliance with IRB's Operational Guidelines in respect of MTD computation for calendar years 2016 to 2021 and for the period from January 2022 to August 2022

The MTD computations of SPBSB based on sampling check for certain months in the calendar years 2016 to 2022 were not in accordance with the IRB's Operational Guidelines. SPBSB omitted to include the allowance and benefit-in-kind to the employee in the MTD computations, resulting in the shortfall of approximately less than RM1,000 per month. If tax audited, SPBSB may be liable to penalty of 10% of the shortfall or RM200 per month, whichever is higher.
In March 2022, the IRB carried out a MTD tax audit on SPBSB for the calendar years 2020 and 2021. The penalty imposed by the IRB on SPBSB was RM1,400 for calendar year 2020 and RM600 for calendar year 2021. SPBSB settled the penalty of RM2,000 in September 2023.

It is estimated that the maximum penalty for non-compliance with MTD computations for each calendar year will be RM2,400 calculated at RM200 per month for 12 months if tax audited. SPBSB has rectified the MTD computation to include the allowance and benefit-in-kind effective from September 2022. The potential maximum penalty for non-compliance is a financial penalty of RM11,200 on SPBSB (calculated at RM200 per month for 56 months for calendar years 2016 to 2019, and January to August 2022) if SPBSB is tax audited.

Under-estimation of tax payable for YA 2020

SPBSB was charged with penalty amounted to RM4,757.53 under Section 107C(10) of the ITA for under-estimation of tax payable for YA 2020. The penalty had been settled in October 2021. There is no additional tax payable as the tax penalties were computed based on the actual tax payable amount which exceeds the estimated tax payable by more than 30%.

During the year 2020, our revenue projection for FYE 2020 was conservative taking into consideration the COVID-19 pandemic situation. However, we recorded a better than expected revenue in the FYE 2020 due to faster construction progress than expected for project development of Taman Nuri Sentosa and Taman Bukit Cheng as of December 2020, which give rise to the underestimation of tax payable in YA 2020 for SPBSB. This unexpected increase led to higher profit recognition. The last revision of estimated tax payable for YA 2020, which was due and submitted in September 2020 did not factor in this unexpected increase in construction progress beyond September 2020.

(ii) Laman Exotika

Additional corporate income tax and penalties paid for YA 2016 and YA 2017

Laman Exotika had participated in SVDP and subjected to additional tax liabilities of RM17,176.37 (comprising additional tax of RM15,614.88 and penalty of RM1,561.49) for YA 2016 and YA 2017. Laman Exotika had settled the said tax liabilities within the stipulated period and obtained the clearance letter in May 2019 that explicitly stated that the IRB would not conduct a tax audit or investigation on corporate income tax for YA 2016 and YA 2017.

Laman Exotika participated in SVDP to rectify the deductibility of the expenses related to the upkeep of motor vehicles for YA 2016 and YA 2017. These expenses were added back as no benefit-in-kind was charged to individual employees.

Additional corporate income tax paid for YA 2018 to YA 2021

Laman Exotika had participated in SVDP 2.0 and subjected to additional tax liabilities of RM10,021.44 for YA 2018 to YA 2021. Laman Exotika had settled the said tax liabilities within the stipulated period and obtained the clearance letter in September 2023 that explicitly stated that the IRB would not conduct a tax audit or investigation on corporate income tax for YA 2018 to YA 2021.

Laman Exotika's participation in SVDP 2.0 is to rectify the situation of incomplete supporting documentation, thereby opting to add back administrative expenses for YA 2018 to YA 2021.

Late submission of withholding tax returns for YA 2019, YA 2020 and 14 transactions in the months of September 2021 to December 2021 and June 2022

Laman Exotika failed to submit to the IRB the withholding tax returns for YA 2019, YA 2020 and 14 transactions out of the total of 322 transactions transacted during the months of September 2021 to December 2021 and June 2022 within the stipulated timeframe. Consequently, Laman Exotika paid the estimated potential maximum penalty of RM1,067.10 for YA 2019, RM4,652.24 for YA 2020, RM376.97 for YA 2021 and RM6.16 for YA 2022 to the IRB.

The delay in submitting the withholding tax return for YA 2019 and YA 2020 was due to lack of familiarity with the newly introduced withholding tax regulations. The initial lack of awareness was later addressed. The Practice Note No.1/2018 issued by IRB on 16 March 2018 and the Guidelines on Taxation of e-commerce Transactions on 13 May 2019 clarified that payments made to social media platforms are categorised as royalties, thus subject to withholding tax under Section 109 of the ITA.

The reason contributed to the delay in submitting the withholding tax return for YA 2021 and YA 2022 was due to unforeseen staffing issues. Although the staff of Laman Exotika received monthly reimbursements, the withholding tax returns were often submitted after the withholding tax submission deadline. In this regard, Laman Exotika has implemented a policy disallowing staff reimbursements to facilitate timely reporting of withholding tax.

Laman Exotika has also enhanced its standard operating procedures for payments to non-residents since September 2022.

Non-compliance with IRB's Operational Guidelines in respect of MTD computation for calendar years 2016 to 2021 and for the period from January 2022 to August 2022

The MTD computations of Laman Exotika for certain months based on sampling check for certain months in the calendar years 2016 to 2022 were not in accordance with the IRB's Operational Guidelines. Laman Exotika omitted the allowance and benefit-in-kind to the employees in the MTD computations resulting the shortfall of approximately less than RM1,000 per month. If tax audited, Laman Exotika may be liable to penalty of 10% of the shortfall or RM200 per month, whichever is higher. Laman Exotika has rectified the computation of MTD to include the allowance and benefit-in-kind effective from September 2022.

In March 2022, the IRB carried out a MTD tax audit on Laman Exotika for the calendar years 2019 and 2020 of which a penalty imposed by the IRB on Laman Exotika was RM2,400 each for calendar years 2019 and 2020. Laman Exotika has fully settled the penalty in March 2023.

It is estimated that the maximum penalty for non-compliance with MTD computations for each calendar year will be RM2,400 calculated at RM200 per month for 12 months if being tax audited. The potential maximum penalty for non-compliance in respect of the MTD computation for calendar years 2016 to 2018, 2021 and for the period from January 2022 to August 2022 is a financial penalty of RM11,200 on Laman Exotika (calculated at RM200 per month for 56 months for calendar years 2016 to 2018, calendar year 2021 and January to August 2022) if being tax audited.

(iii) Dayang Gemilang

Under-estimation of tax payable for YA 2021 and YA 2022

Dayang Gemilang was charged with penalty amounting to RM417.68 for YA 2021 and RM14,413.24 for YA 2022 under Section 107C(10) of the ITA for under-estimation of tax payable. The penalty had been settled. There is no additional tax payable as the tax penalties were computed based on the actual tax payable amount which exceeds the estimated tax payable by more than 30%.

During the year 2021, our revenue projection for FYE 2021 was conservative taking into consideration the then ongoing COVID-19 pandemic situation. However, we recorded a better than expected revenue in the FYE 2021 due to faster construction progress than expected for the project development for Taman La Casa Lunas 3A as of December 2021, which give rise to the underestimation of tax payable for YA 2021 for Dayang Gemilang. The underestimation of tax payable in Dayang Gemilang for YA 2022 was attributed to faster construction progress than expected for Taman La Casa Lunas 3B and Taman La Casa Lunas 2 as of December 2022 as we used additional aluminium formwork for the said developments which reduced the construction time.

These unforeseen developments resulted in higher profit recognition. As a result, the last revision of estimated tax payable for YA 2021 (submitted in September 2021) and YA 2022 (submitted in September 2022) did not reflect the actual situation after the respective submission date.

(iv) Naluri Wijaya

Under-estimation of tax payable for YA 2018

Naluri Wijaya was charged with penalty amounted to RM3.06 under Section 107C(10) of the ITA for under-estimation of tax payable for YA 2018. The penalty had been settled. The tax under-estimation for YA 2018 was due to an underestimation of the interest income of RM256 received from the bank, which we did not include in our tax estimates for YA 2018. There is no additional tax payable as the tax penalties were computed based on the actual tax payable amount which exceeds the estimated tax payable by more than 30%.

Non-compliance with IRB's Operational Guidelines in respect of MTD computation for calendar years 2016 and 2017

The MTD computations of Naluri Wijaya for the calendar years 2016 and 2017 were not in accordance with the IRB's Operational Guidelines. Naluri Wijaya omitted to include the allowances to the employee in the MTD computations, resulting in the shortfall of approximately less than RM300 per month.

If tax audited, Naluri Wijaya may be liable to penalty of 10% of the shortfall or RM200 per month, whichever is higher. The potential maximum penalty for non-compliance is a financial penalty of RM4,800 on Naluri Wijaya (calculated at RM200 per month for 24 months for calendar years 2016 and 2017) if being tax audited.

Starting from September 2022, Naluri Wijaya has rectified the MTD computation to include allowances and benefits in kind.

(v) Rentas Dinamik

Additional corporate income tax and penalty paid for YA 2016

Rentas Dinamik had participated in the SVDP and subjected to additional tax liabilities of RM1,149.19 (comprising additional tax paid of RM1,044.72 and penalty of RM104.47) for YA 2016. Rentas Dinamik had settled the said tax liabilities within the stipulated period and obtained the clearance letter in May 2019 that explicitly stated that the IRB would not conduct a tax audit or investigation on corporate income tax for YA 2016.

Rentas Dinamik participated in SVDP for YA 2016 to rectify the deductibility of the expenses related to the upkeep of motor vehicles for YA 2016. These expenses were added back as no benefit-in-kind was charged to individual employees.

(vi) Hektar Berlian

Late submission of withholding tax returns for YA 2022

Hektar Berlian failed to submit the withholding tax returns for YA 2022 to the IRB within the stipulated timeframe. Hektar Berlian had paid an estimated potential maximum penalty of RM0.51 for YA 2022 to the IRB as at the LPD.

The delay in submitting the withholding tax return for YA 2022 was due to unforeseen staffing issues. Although the staff of Hektar Berlian received monthly reimbursements, the withholding tax returns were often submitted after the withholding tax submission deadline. In this regard, Hektar Berlian has implemented a policy disallowing staff reimbursements to facilitate timely reporting of withholding tax.

Compliance History

Save as disclosed below, there are no on-going regulatory audits or inspections as at the LPD:

(i) Dayang Gemilang had submitted the documents requested by the IRB in respect of the corporate income tax for YA 2019 to YA 2021 in March 2023;

(ii) Panglima Juara had submitted the documents requested by the IRB in respect of the corporate income tax for YA 2019 to YA 2021 in March 2023. In December 2023 and June 2024, IRB requested for further information and Panglima Juara had in March 2024 and July 2024 replied to IRB and provided documents for corporate income tax matters; and

(iii) Setara Hijau had submitted the documents requested by the IRB in respect of the corporate income tax for YA 2016 and YA 2017 in April 2019.

Save as disclosed above, there are no further correspondences from IRB and the IRB has not issued any tax audit findings for the above as at the LPD.

Implementation of measures by our Group

Based on the above, although our Group was imposed with tax penalties, these tax penalties did not have material impact to our Group's business operations and financial conditions. Our Group has implemented measures to mitigate non-compliance risk and improve the overall handling of tax administration matters as follows:

(iv) Regular internal meetings

Our Group holds regular quarterly internal meetings involving the head of departments from finance, human resource, project development, project management and sales & marketing or any relevant departments within our Group. These meetings are to identify significant changes in financial estimates or projections which may give rise to significant tax risks. The internal meetings are also conducted to ensure that the information is received by the finance department in a timely manner in order to avoid the incident of non-compliance resulting from miscommunication.

(v) Dedicated personnel

Our Group has assigned a dedicated finance personnel to monitor monthly tax matters including reviewing tax related matters and an experienced payroll personnel to handle employer's tax obligation administration matters and compliance. The dedicated finance personnel who is our Head of Finance and Credit Administration, will perform verification works and identify any significant change in financial estimates / projections which may entail significant tax impact on a quarterly basis as well as to ensure that the procedures set out in the Tax Corporate Governance Framework are carried properly, which will help to prevent non-compliances in respect of our Group's tax obligations. Please refer to **Section 5.3.2(iv)** of this Prospectus on the qualifications of our Head of Finance and Credit Administration, where she has prior experience in an audit firm involve in the audit of companies which includes reviewing tax records.

(vi) Tax Risk Committee

In July 2024, our Group has established a committee comprising the head of departments from finance, human resource, project development, project management and sale & marketing or any relevant departments within our Group ("**Tax Risk Committee**") to monitor the implementation of the Tax Corporate Governance Framework and will report to the EXCO on quarterly basis. The Tax Risk Committee will present a summary of the tax administration matters to the EXCO, while the EXCO will report to the Audit and Risk Management Committee and the Board on a quarterly basis.

(vii) Tax Corporate Governance Framework

Our Group has implemented the Tax Corporate Governance Framework in July 2024 to ensure all relevant tax submission and tax payment timelines are duly adhered with. Our Board is responsible to ensure that the Tax Corporate Governance Framework is carried out appropriately in compliance with the tax laws. The Tax Corporate Governance Framework will be reviewed periodically to ensure the framework is up to date and consistent with prevailing tax laws. An annual review of the Tax Corporate Governance Framework, which include, amongst others, corporate income tax, employers' tax obligations, withholding tax and real property gain tax will be carried out in consultation with the external tax expert to ensure that the Tax Corporate Governance Framework is up to date.

(viii) Compliance review

The Tax Risk Committee conducts compliance review, including control tests, to ensure adherence to the Tax Corporate Governance Framework on quarterly basis. The quarterly review of our internal tax control will ensure that the processes remain effective, relevant and current, which will be carried out through sample testing and walkthrough of control processes with the relevant departments.

(ix) Independent assurance

Our Group will engage an external tax expert or an internal control consultant for an independent review to provide assurance of the compliance with the Tax Corporate Governance Framework. We will seek advice from external tax experts with regards to tax treatments or to address any new developments in the tax laws and we will also seek advice from an internal control consultant to enhance our control systems and identify high risk area. We intend to consult with an external tax expert at least twice a year for our Group's tax reviews and finalisation prior to lodgement with IRB.

Taking into consideration the steps taken by our Group as highlighted above and in addition to the established policies and guidelines to prevent recurrent incidents of non-compliance, our Group has established additional policies and guidelines to prevent recurrence of the incidents on tax non-compliance. In July 2024, our Group has implemented the Tax Corporate Governance Framework to manage tax matters systematically, to promote tax compliance and reduce the incidents of non-compliance on tax matters. The framework set out the roles and responsibility and detailed framework in managing tax matters in order to ensure that the relevant tax submission and tax payment timelines are duly adhered and has proper reviewing process.

After assessing the measures implemented by our Group to rectify the incidents of tax non-compliance, our Directors are satisfied with the measures implemented by our Group and are of the view that these measures are sufficient to ensure the compliance with the tax laws and to prevent recurrence of the incidents of tax non-compliance. Since the implementation of the measures by our Group as described above, there is no recurrence of any tax non-compliances as at the LPD.