

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated under the Act on 16 June 2022. Our Group was formed through the Acquisitions which were completed on 30 September 2024.

Our Company and our Subsidiaries have been under the common control of Tan Sri Joseph and Datuk Jonathan throughout the Period under Review up to the LPD and are collectively regarded as a continuing entity. Accordingly, the historical combined financial information of our Group as presented in this Section has been prepared as if our Company and our Subsidiaries were operating as a single economic enterprise throughout the Period under Review.

You should read the historical combined financial information presented in this Section in conjunction with:

- (i) the “Management's Discussion and Analysis of Financial Condition and Results of Operations” as set out in Section 12.3 of this Prospectus; and
- (ii) our historical combined financial statements and the accompanying notes as set out in the Accountants' Report included in Section 13 of this Prospectus.

The historical financial information for the Period under Review as set out in this Section have been prepared based on the audited financial statements of Azam Jaya and our Subsidiaries for the Period under Review. All intragroup balances, transactions, income and expenses are eliminated in the combined financial statements. The historical financial information for the Period under Review as set out in this Section is based on financial statements that have been prepared in accordance with MFRS and International Financial Reporting Standards (IFRS) and have been audited by Russel Bedford LC PLT in accordance with approved standards on auditing in Malaysia.

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12. FINANCIAL INFORMATION (CONT'D)**12.1.1 Historical combined statements of profit or loss and other comprehensive income**

The table below sets out the audited combined statements of profit or loss and other comprehensive income of our Group for the Period under Review:

| | Audited | | | Unaudited | Audited |
|--|-----------------|-----------------|-----------------|------------------|-----------------|
| | FYE 2021 | FYE 2022 | FYE 2023 | FPE 2023 | FPE 2024 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Revenue | 231,457 | 296,838 | 280,766 | 127,158 | 148,824 |
| Cost of sales | (161,529) | (206,044) | (203,188) | (94,438) | (110,213) |
| GP | 69,928 | 90,794 | 77,578 | 32,720 | 38,611 |
| Other operating income | 1,774 | 1,332 | 1,141 | 381 | 826 |
| Administrative expenses | (19,495) | (32,011) | (31,735) | (17,438) | (19,618) |
| Allowance for expected credit losses | - | (4,264) | - | - | - |
| Profit from operations | 52,207 | 55,851 | 46,984 | 15,663 | 19,819 |
| Finance income | 138 | 448 | 866 | 382 | 683 |
| Finance costs | (6,318) | (10,315) | (9,284) | (4,079) | (7,910) |
| PBT | 46,027 | 45,984 | 38,566 | 11,966 | 12,592 |
| Income tax expense | (11,837) | (14,270) | (12,583) | (5,148) | (4,770) |
| PAT / Total comprehensive income for the financial year | 34,190 | 31,714 | 25,983 | 6,818 | 7,822 |
| PAT / Total comprehensive income attributable to: | | | | | |
| - Owners of the Company | 34,142 | 31,691 | 25,983 | 6,818 | 7,822 |
| - Non-controlling interests | 48 | 23 | - | - | - |
| | 34,190 | 31,714 | 25,983 | 6,818 | 7,822 |
| EBITDA ⁽¹⁾ | 61,229 | 65,671 | 57,609 | 21,272 | 25,181 |
| GP margin ⁽²⁾ (%) | 30.21 | 30.59 | 27.63 | 25.73 | 25.94 |
| EBITDA margin ⁽³⁾ (%) | 26.45 | 22.12 | 20.52 | 16.73 | 16.92 |
| PBT margin ⁽⁴⁾ (%) | 19.89 | 15.49 | 13.74 | 9.41 | 8.46 |
| PAT margin ⁽⁵⁾ (%) | 14.77 | 10.68 | 9.25 | 5.36 | 5.26 |
| Basic EPS ⁽⁶⁾ (sen) | 8.11 | 7.52 | 6.17 | 1.62 | 1.86 |
| Diluted EPS ⁽⁷⁾ (sen) | 6.83 | 6.34 | 5.20 | 1.36 | 1.56 |

Notes:

(1) EBITDA represents earnings before net finance cost, taxation, depreciation and amortisation. EBITDA is computed as follows:

| | Audited | | | Unaudited | Audited |
|----------------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | FYE 2021 | FYE 2022 | FYE 2023 | FPE 2023 | FPE 2024 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| PBT | 46,027 | 45,984 | 38,566 | 11,966 | 12,592 |
| Add: Finance costs | 6,318 | 10,315 | 9,284 | 4,079 | 7,910 |
| Add: Depreciation | 9,022 | 9,820 | 10,625 | 5,609 | 5,362 |
| Less: Finance income | (138) | (448) | (866) | (382) | (683) |
| EBITDA | 61,229 | 65,671 | 57,609 | 21,272 | 25,181 |

12. FINANCIAL INFORMATION (CONT'D)

- (2) GP margin is computed based on GP over revenue.
- (3) EBITDA margin is computed based on EBITDA over revenue.
- (4) PBT margin is computed based on PBT over revenue.
- (5) PAT margin is computed based on PAT over revenue.
- (6) Basic EPS is computed based on PAT attributable to the owners of the Company divided by the enlarged total number of 421,200,000 Shares after the Acquisitions and the Share Split.
- (7) Diluted EPS is computed based on PAT attributable to the owners of the Company divided by the enlarged total number of 500,000,000 Shares after the IPO. For information, our Company does not have any outstanding convertible securities.

12.1.2 Historical audited combined statements of financial position

The table below sets out the audited combined statements of financial position of our Group as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024:

| | Audited | | | |
|---|--------------------------|-----------------|-----------------|--------------------------|
| | As at 31 December | | | As at 30 June |
| | 2021 | 2022 | 2023 | 2024 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Non-current assets | | | | |
| Property, plant and equipment | 33,379 | 36,614 | 53,125 | 58,895 |
| Right of use assets | 34,645 | 40,202 | 29,451 | 23,059 |
| Investment property | - | 1,725 | 1,687 | 1,669 |
| Inventories | 3,093 | 3,148 | 3,210 | 3,210 |
| Deferred tax assets | - | 37 | - | - |
| Trade receivables | - | - | 1,500 | 1,500 |
| Total non-current assets | 71,117 | 81,726 | 88,973 | 88,333 |
| Current assets | | | | |
| Inventories | 20,760 | 14,992 | 9,280 | 9,280 |
| Trade receivables | 86,289 | 85,881 | 43,257 | 80,937 |
| Other receivables, deposits and prepayments | 74,919 | 59,368 | 33,712 | 23,678 |
| Contract assets | 11,377 | 30,008 | 77,639 | 129,259 |
| Contract costs | 20,033 | 6,440 | 6,377 | 3,148 |
| Tax recoverable | - | - | 578 | 1,255 |
| Fixed deposit with licensed banks | 27,714 | 41,289 | 49,274 | 49,627 |
| Cash and bank balances | 9,307 | 17,731 | 29,691 | 1,068 |
| Total current assets | 250,399 | 255,709 | 249,808 | 298,252 |
| Total assets | 321,516 | 337,435 | 338,781 | 386,585 |

12. FINANCIAL INFORMATION (CONT'D)

| | Audited | | | |
|---|--------------------------|-----------------|-----------------|-----------------------------------|
| | As at 31 December | | | As at 30 June 2024 |
| | 2021 | 2022 | 2023 | 2024 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Equity | | | | |
| Invested equity ⁽¹⁾ | 6,800 | 6,800 | 6,800 | 6,800 |
| Retained profits | 47,151 | 68,842 | 81,949 | 89,771 |
| Equity attributable to the owners of the Group | 53,951 | 75,642 | 88,749 | 96,571 |
| Non-controlling interests | 600 | 623 | - | - |
| Total equity | 54,551 | 76,265 | 88,749 | 96,571 |
| Non-current liabilities | | | | |
| Term loans | 19,541 | 16,203 | 23,872 | 21,428 |
| Lease liabilities | 11,890 | 10,760 | 6,338 | 4,866 |
| Deferred tax liabilities | 2,201 | 5,883 | 10,621 | 13,010 |
| Trade payables | 22,439 | 25,350 | 24,147 | 19,078 |
| Total non-current liabilities | 56,071 | 58,196 | 64,978 | 58,382 |
| Current liabilities | | | | |
| Trade payables | 38,541 | 33,684 | 37,289 | 38,297 |
| Other payables and accruals | 10,442 | 14,226 | 4,476 | 5,891 |
| Dividend payable | - | - | 8,557 | - |
| Contract liabilities | 52,690 | 33,533 | 18,046 | 32,376 |
| Borrowings | 87,259 | 99,728 | 103,821 | 145,276 |
| Lease liabilities | 12,772 | 13,573 | 9,482 | 8,081 |
| Tax payable | 9,190 | 8,230 | 3,383 | 1,711 |
| Total current liabilities | 210,894 | 202,974 | 185,054 | 231,632 |
| Total liabilities | 266,965 | 261,170 | 250,032 | 290,014 |
| Total equity and liabilities | 321,516 | 337,435 | 338,781 | 386,585 |

Note:

- (1) For the purpose of the combined statements of financial position of our Group for the FYEs 2021, 2022 and 2023 the invested capital as at the end of the respective FYEs constitute the share capital of our Company, Pembinaan AJ, AJ Properties and Kolopis Jaya.

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

The table below sets out our Group's capitalisation and indebtedness based on the unaudited statement of financial position of our Group as at 31 August 2024 and giving effect to the completion of our IPO and the use of proceeds having occurred on 31 August 2024. The pro forma financial information below does not represent our Group's actual capitalisation and indebtedness as at 31 August 2024 and is provided for illustration purposes only:

| | Unaudited | Pro forma | Pro forma |
|--|--------------------|---------------------|----------------------|
| | As at 31 | After the | After the use |
| | August 2024 | Public Issue | of proceeds |
| | (RM'000) | (RM'000) | (RM'000) |
| Secured and guaranteed: | | | |
| Hire purchase liabilities | 22,086 | 22,086 | 22,086 |
| Term loans | 25,385 | 25,385 | 25,385 |
| Trust receipts | 31,665 | 31,665 | 31,665 |
| Revolving credits | 59,981 | 59,981 | 39,981 |
| Bank overdrafts | 15,609 | 15,609 | 15,609 |
| Total indebtedness | 154,726 | 154,726 | 134,726 |
| Total equity / capitalisation | 99,970 | 161,434 | 157,694 |
| Gearing ratio⁽¹⁾ (times) | 1.55 | 0.96 | 0.85 |

Note:

(1) Computed based on total indebtedness over total capitalisation.

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

The following management's discussion and analysis on our Group's financial condition and results of operations for the Period under Review are based on financial statements that have been prepared in accordance with MFRS and the International Financial Reporting Standards and should be read in conjunction with the historical combined financial statements and the accompanying notes, assumptions and bases as set out in the Accountants' Report in Section 13 of this Prospectus.

12.3.1 Overview of our business operations

We are principally involved in the provision of construction services, and for over 30 years, we have positioned ourselves as a major road infrastructure specialist in the State of Sabah, Malaysia. Through our Subsidiaries, we specialise in the construction of roads infrastructure, including road, highways, bridges, flyovers and tunnels.

All 4 of our Subsidiaries are registered as Grade 7 contracts with CIDB, allowing them to undertake construction projects with unlimited tender capacity. Our construction contracts are either structured as build-only or design and build projects.

During the Period Under Review up to the LPD, we had secured several large scale construction projects, namely, Kota Belud Road Project, Pulau Sebatik Road Project as well as 3 work packages of the Pan Borneo Highway, namely the Pan Borneo Highway (WP12) Project, Pan Borneo Highway (WP13) Project and Pan Borneo Highway (WP26) Project, all of which are ongoing as at the LPD. As at the LPD, our Group is working on 9 ongoing construction projects with an order book of approximately RM1.45 billion. Please refer to Section 7 of this Prospectus for an overview of our business.

12. FINANCIAL INFORMATION (CONT'D)

During the Period under Review, we had also undertaken and completed a property development project of an industrial park located in Inanam, Kota Kinabalu, Sabah known as "The Factory @ Inanam" on a parcel of approximately 9 acres industrial land acquired by AJ Land in 2005. Save for this sole project, our Group has not undertaken any other property development project in the past and is not currently involved in property development. Please refer to Section 7.1 of this Prospectus for further information on this property development project.

12.3.2 Significant factors affecting our financial condition and results of operations

Our financial condition and results of operations have been and will continue to be affected by various key factors primarily relating to the industry in which we operate. These factors include, but are not limited to, the following:

(i) Ability to secure new projects to ensure continuity of our order book

Our financial performance depends on our ability to secure new projects to sustain our order book. We must continue submitting bids and tenders to secure new projects and we compete against other construction companies for such projects.

If we are not able to secure new projects on a continuous basis such that there is a significant decline in our order book or if the new projects that we secure are not commercially favourable to us, our business growth and financial performance will be adversely affected.

Our order book is also subject to unexpected project cancellations, delays or postponement of the project which may occur from time to time. Any such delays, cancellations or postponements would reduce the value of our order book which will adversely affect our prospects and financial performance.

As at the LPD, we have a total outstanding order book of approximately RM1.45 billion, which is expected to be recognised for the FYE 2024 to FYE 2028.

(ii) Ability to complete our projects within the contracted timeframe

The delivery of our construction projects are subject to an agreed timeline that is stipulated in the contracts for the respective projects. Although we monitor and manage the projects closely in order to adhere to our project execution schedule and milestones, there is a risk that we may not be able to complete our project in time due to external factors that are beyond our control.

In the event of any delays in the completion of our projects and if we are unable to obtain an extension of time from our clients, we may be liable for LAD claims and/or penalties from clients which may adversely affect our financial performance and reputation. In addition, any inability on our part to complete our construction projects after being contacted to do so would adversely impact our reputation and our clients may not pay us in full for our work completed and/or demand compensation for such non-completion.

During the Period under Review, we had experienced delays in certain of our construction projects due to various factors including the outbreak of COVID-19, relocation of utilities, obtaining possession of site, environmental impact assessment performed by the government, obtaining approval from the client on the design drawing submitted by our Group and delays in land acquisition caused by prolonged negotiations between the government and the landowner on the amount of compensation for the land to be acquired.

12. FINANCIAL INFORMATION (CONT'D)

However, we had applied for and were granted EOTs for all of our ongoing projects, and as at the LPD, we are on track and expect to complete the projects within the current approved project timeline. Please refer to Section 5.1.6 of this Prospectus for further details.

(iii) Risk of cost overruns for our projects

Our construction projects are mainly based on a fixed contract value. In the event of unanticipated cost increases during the project execution and construction period where we are unable to pass the increases in cost to our clients, this would adversely affect our financial performance. The increase in the cost of construction could be affected by various factors including, amongst others, prices of construction materials, labour cost and site overheads as well as a prolonged project period which may be liable for LAD claims and/or penalties from clients, all of which could adversely affect our margins and profitability. For the Period under Review, we did not experienced any material unanticipated increase in costs which had a material adverse impact on our profitability and financial performance.

(iv) Fluctuations in the prices of construction materials

Our construction material costs, such as steel and concrete materials are influenced by commodity prices and subjected to price fluctuations. As such, any fluctuation in the prices of building materials, which are beyond our control, could result in increased costs and may adversely impact our financial performance. For the Period under Review, while we had experienced an unanticipated increase in the cost of construction materials, it did not have a material adverse impact on our profitability and financial performance as we were able to obtain the approval from our client for a variation of price for the increased cost of construction materials.

(v) Labour supply

Our construction operations depend on stable labour supply, either through engaging subcontractors or employing construction workers, to meet our project requirements. In particular, our construction operations require skilled workers such as engineers and machine operators.

In the event that, the shortage of any skilled workers could affect our construction operations, potentially increasing costs due to reduced efficiency. For the Period under Review, we did not experience any shortage of labour which had a material adverse impact on our business operations.

(vi) Federal and state government initiatives

During the Period under Review and up to the LPD, all the construction projects were awarded to our Group by the Ministry of Works, Malaysia and JKR Sabah save for the Kota Belud Road Project, Pan Borneo Highway (WP13) Project and Pan Borneo Highway (WP26) Project. These 3 projects were awarded to our construction partners, and we were brought on via joint arrangements to jointly execute the projects,

Our Group is dependent on the Government's decisions to initiate and award infrastructure projects to our Group. As such, our financial performance and cash flow will be materially and adversely affected if we were to lose the contracts from the Ministry of Works, Malaysia and JKR Sabah (or reduce the level of services provided to them) without capturing new clients to replace the loss of business in a timely manner.

12. FINANCIAL INFORMATION (CONT'D)**(vii) Impact of inflation**

The areas that inflation may affect our financial performance include increase in subcontractor cost, construction material cost and labour cost. Whilst our financial performance for the Period under Review was not materially affected by the impact of inflation in Malaysia, there can be no assurance this will be the case and that the financial performance will not be materially affected by inflation in the future.

(viii) Impact of foreign exchange

For the Period under Review, our transactions were mainly denominated in RM. As such, foreign exchange fluctuation has no material impact on our operating results.

(ix) Impact of interest rate

Our exposure to changes in interest rate risks relates primarily to our borrowings from financial institutions. We do not generally hedge interest rate risks. For the Period under Review, our financial performance was not materially affected by the fluctuations of interest rates.

(x) Changes in political, economic and regulatory conditions

Risks relating to political, economic and regulatory conditions which may materially affect our operations are set out in Section 5.2.4 of this Prospectus.

Although we will continue to comply with the legal and regulatory frameworks in Malaysia, there is no assurance that future introduction of new law or other economic, political and regulatory conditions will not have adverse effect on our business, operation achievement and financial performance.

(xi) Impact of government, economic, fiscal or monetary policies

Any unfavourable change in government, economic, fiscal or monetary policies in Malaysia may materially affect our business operations and financial performance. For the Period under Review, our results were not adversely affected by any unfavourable changes relating to these policies. Nonetheless, there is no assurance that our financial performance will not be adversely affected by the impact of changes in government, economic, fiscal or monetary policies for example the changes in the budget spending allocation to Sabah by the Government in the future.

(xii) Impact of the non-performance and/ or termination of joint construction arrangements with other construction companies

Our Group undertakes certain construction projects jointly with other construction companies. Such arrangement may be established by way of the creation of a special purpose vehicle or construction consortium or by entering into a joint venture agreement to tender for and execute a particular construction project.

In the event such joint arrangements are terminated for any reason including the breach of the terms or non-performance of the obligations by our construction partner, our Group will lose the right to participate in the remaining revenues of such projects, which will have a material adverse impact on our business, financial performance and future prospects.

12. FINANCIAL INFORMATION (CONT'D)

12.3.3 Results of operations

(i) Revenue

Azam Jaya is principally an investment holding company. Through our Subsidiaries, we are specialise in the construction of roads infrastructure, including road, highways, bridges, flyovers and tunnels.

For the Period under Review, our Group generated revenues from 2 business segments:

- construction; and
- property development.

Revenue generated from construction were derived from the fulfilment of construction contracts as well as the sale of ready-mixed concrete. Revenue generated from property development were derived solely from the development of 29 units of terraced, semi-detached and detached industrial properties known as "The Factory @ Inanam" project as mentioned in Section 12.3.1 above.

Revenue recognition from construction contracts

Our Group recognises revenue over the contact period by reference to the progress towards complete satisfaction of that performance obligation using the input method. The input method recognises revenue based on the construction costs incurred to-date as a percentage of the estimated total cost of the contract, which forms the basis to measure the value of construction works performed to-date relative to the remaining works promised under the contract.

Due to timing differences, there may be instances where we have performed the construction works under the contract but progress billings are not raised as such works have yet to be certified by the resident engineer and superintendent officer representative of JKR Sabah. In this event, we will recognise the difference in value as a contract asset, which will be reclassified to trade receivables at the point it is invoiced to our clients. Similarly, if the certified progress billings exceed the revenue recognised under the input method, we will recognise a contract liability for the difference.

Revenue recognition for property development projects

Our property development revenue was recognised based on the following criteria:

- (a) **Ongoing property development project** - revenue is recognised over the development period for units which have been sold based on the percentage of completion of the development works. This percentage of completion is determined by comparing the development costs incurred against the estimated total development cost for the project.
- (b) **Completed property development project** - revenue is recognised at a point in time upon delivery of the completed property to the buyer.

12. FINANCIAL INFORMATION (CONT'D)

Revenue segmented by business segments

Our revenues were derived from construction and property development. The following table sets out the breakdown of our Group's revenues by business segments for the Period under Review:

| | FYE 2021 | | FYE 2022 | | FYE 2023 | | FPE 2023 | | FPE 2024 | |
|----------------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
| | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) |
| Construction | 212,040 | 91.61 | 289,377 | 97.49 | 274,766 | 97.86 | 124,158 | 97.64 | 148,824 | 100.00 |
| Property development | 19,417 | 8.39 | 7,461 | 2.51 | 6,000 | 2.14 | 3,000 | 2.36 | - | - |
| Total | 231,457 | 100.00 | 296,838 | 100.00 | 280,766 | 100.00 | 127,158 | 100.00 | 148,824 | 100.00 |

Our construction revenue can be further segmented by the construction projects undertaken by our Group for the Period under Review:

| | FYE 2021 | | FYE 2022 | | FYE 2023 | | FPE 2023 | | FPE 2024 | |
|---|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|---------------|
| | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) |
| Pan Borneo Highway (WP06) Project | 142,119 | 61.41 | 196,984 | 66.37 | 185,091 | 65.92 | 85,067 | 66.90 | 116,546 | 78.31 |
| Jalan UMS Upgrading Project | 52,783 | 22.80 | 58,946 | 19.86 | 68,234 | 24.30 | 27,587 | 21.70 | 11,616 | 7.81 |
| Jalan Lintas Upgrading Project | 17,138 | 7.40 | 29,546 | 9.95 | 2,092 | 0.75 | 1,480 | 1.16 | 2,295 | 1.54 |
| Pulau Sebatik Road Project | - | - | 2,325 | 0.78 | 7,907 | 2.82 | 5,416 | 4.26 | 1,789 | 1.20 |
| Kota Belud Road Project | - | - | 712 | 0.24 | 10,231 | 3.64 | 5,340 | 4.20 | 5,078 | 3.41 |
| DBKK Sewerage Project ⁽¹⁾ | - | - | - | - | 1,563 | 0.56 | - | - | 2,875 | 1.93 |
| Pan Borneo Highway (WP12) Project | - | - | - | - | - | - | - | - | 3,048 | 2.05 |
| Pan Borneo Highway (WP13) Project | - | - | - | - | - | - | - | - | 3,587 | 2.41 |
| Reversal of revenue ⁽²⁾ | - | - | - | - | (1,447) | (0.52) | (1,447) | (1.14) | - | - |
| Sale of ready-mixed concrete ⁽³⁾ | - | - | 864 | 0.29 | 1,095 | 0.39 | 715 | 0.56 | 1,990 | 1.34 |
| Total construction revenue | 212,040 | 91.61 | 289,377 | 97.49 | 274,766 | 97.86 | 124,158 | 97.64 | 148,824 | 100.00 |

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

(1) For information, the work done by our Group for the DBKK Sewerage Project relates to the relocation of a sewerage pipe located at the site of the Jalan Lintas Upgrading Project. This work was requested by JKR Sabah and is necessary to complete the Jalan Lintas Upgrading Project and as such, our Group had originally performed certain works relating thereto under the Jalan Lintas Upgrading Project with the intention of obtaining a variation order for the Jalan Lintas Upgrading Project.

Subsequently, JKR Sabah awarded our Group the DBKK Sewerage Project in January 2024 and this amount represents the portion of work done pursuant to the DBKK Sewerage Project during the FYE 2023 prior to the award of the said contract.

(2) The reversal of revenue was in relation to a claim submitted by Pembinaan AJ in 2018 amounting to RM1,463,816.54 in relation to the project awarded by JKR Sabah for the road widening of a portion of Jalan Lintas from 2 lanes to 3 lanes and the construction of 2 interchanges which was completed in December 2017 (“**2018 Claim**”). The claim was made by Pembinaan AJ to recoup certain construction costs which was higher than previously budgeted. Subsequent to the claim, this amount had remained outstanding from JKR Sabah, and this outstanding amount was confirmed to the auditors of Pembinaan AJ in prior years. The amount was recognised in the revenue of Pembinaan AJ for the FYE 2018. Subsequently, JKR Sabah had during the FYE 2023, informed Pembinaan AJ that the amount to be paid to it pursuant to the 2018 Claim was RM16,946.

(3) Our Group has established 2 concrete mixing plants to support our Group’s construction activities for the Pan Borneo Highway (WP06) Project and Jalan UMS Upgrading Project. The prepared concrete was then utilised by our workers as well as sold to our subcontractors for their use on these projects if requested by our subcontractors.

Comparison between FYE 2021 and FYE 2022

Our Group’s total revenue increased by RM65.38 million or 28.25% to RM296.84 million for the FYE 2022 (FYE 2021: RM231.46 million). The higher revenue was attributable to the increase in revenue from construction activities as further elaborated below:

- more construction work done for Pan Borneo Highway (WP06) Project during the FYE 2022 as compared to the FYE 2021 which increased the project’s revenue by RM54.86 million from RM142.12 million for the FYE 2021 to RM196.98 million for the FYE 2022;
- more construction work done for Jalan Lintas Upgrading Project during the FYE 2022 as compared to the FYE 2021 which increased the project’s revenue by RM12.41 million from RM17.14 million for the FYE 2021 to RM29.55 million for the FYE 2022; and
- an upward revision of contract sum of Jalan UMS Upgrading Project pursuant to variation orders approved by our client which increased the project’s revenue by RM6.17 million from RM52.78 million for the FYE 2021 to RM58.95 million for the FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)

Our Group also secured 2 new projects during the FYE 2022, namely Pulau Sebatik Road Project and Kota Belud Road Project which contributed revenues of RM2.33 million and RM0.71 million, respectively.

Following the completion of “The Factory @ Inanam” project in the prior year, our Group recognised revenue of RM7.46 million from its property development activities which were attributed to the sale of 2 units of completed industrial properties during the FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our Group's total revenue decreased by RM16.07 million or 5.41% to RM280.77 million for the FYE 2023 (FYE 2022: RM296.84 million). The lower revenue was attributable to the reversal of revenue of RM1.45 million pursuant to the 2018 Claim as elaborated in Note (2) above as well as a decrease in revenue from construction activities as further elaborated below:

- less construction work done for the Jalan Lintas Upgrading Project as the project was nearing its completion which decreased the project's revenue by RM27.46 million from RM29.55 million for the FYE 2022 to RM2.09 million for the FYE 2023; and
- less construction work done for the Pan Borneo Highway (WP06) Project mainly due to delays caused by changes in project design and relocation of utility works which decreased the project's revenue by RM11.89 million from RM196.98 million for the FYE 2022 to RM185.09 million for the FYE 2023.

Revenue from our property development activities also decreased by RM1.46 million from RM7.46 million for FYE 2022 to RM6.00 million for FYE 2023. Two units of completed industrial properties sold during FYE 2023.

Notwithstanding the above, the lower revenue was partially offset by the higher revenue from construction activities as further elaborated below:

- a full year's construction work was done for the Kota Belud Road Project (which was secured in November 2022) which increased the project's revenue by RM9.52 million from RM0.71 million for the FYE 2022 to RM10.23 million for the FYE 2023;
- an upward revision of contract sum of Jalan UMS Upgrading Project pursuant to variation orders approved by our client during FYE 2023 which increased the project's revenue by RM9.28 million from RM58.95 million for the FYE 2022 to RM68.23 million for the FYE 2023; and
- a full year's construction work was done for the Pulau Sebatik Road Project (which was secured in August 2022) which increased the project's revenue by RM5.58 million from RM2.33 million for the FYE 2022 to RM7.91 million for the FYE 2023.

Our Group also secured a new project during the FYE 2023, namely DBKK Sewerage Project which contributed revenue of RM1.56 million.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FPE 2023 and FPE 2024**

Our Group's total revenue increased by RM21.66 million or 17.03% to RM148.82 million for the FPE 2024 (FPE 2023: RM127.16 million). The higher revenue was attributable to increase in revenue from construction activities as further elaborated below:

- more construction work done for Pan Borneo Highway (WP06) Project during the FPE 2024 as compared to the FPE 2023 which increased the project's revenue by RM31.48 million from RM85.06 million for the FPE 2023 to RM116.54 million for the FPE 2024;
- DBKK Sewerage Project which secured after FPE 2023 contributed revenue of RM2.88 million for the FPE 2024 (FPE 2023: Nil); and
- 2 new projects were secured during the FPE 2024, namely Pan Borneo Highway (WP12) Project and Pan Borneo Highway (WP13) Project which contributed revenues of RM3.05 million and RM3.59 million, respectively.

Notwithstanding the above, the higher revenue was partially offset by the lower revenue from construction activities as further elaborated below:

- less construction work done for the Jalan UMS Upgrading Project as the project was nearing its completion which decreased the project's revenue by RM15.97 million from RM27.59 million for the FPE 2023 to RM11.62 million for the FPE 2024; and
- less construction work done for the Pulau Sebatik Road Project due to delay in land acquisition which decreased the project's revenue by RM3.63 million from RM5.42 million for the FPE 2023 to RM1.79 million for the FPE 2024.

We did not recognise any revenue from our property development activities during the FPE 2024 as we did not sell any completed industrial properties during the FPE 2024 (FPE 2023: 1 unit sold).

(ii) Cost of sales**Cost of sales from construction contracts**

Our cost of sales from construction contracts comprises 6 major components, namely subcontractor costs, project overhead and related costs, material costs, direct labour costs, material on site and other construction costs.

(a) Subcontractor costs

For the Period under Review, subcontractor costs are the largest component of our cost of sales. For our construction projects, we engage various subcontractors for structural works.

After securing a project, we would negotiate and agree upfront with our subcontractors on the costs and scope of works, including the labour charges and workmanship involved in delivering the outsourced construction works.

12. FINANCIAL INFORMATION (CONT'D)

(b) Project overhead and related costs

Project overhead and related costs include general preliminary and project related expenses which are miscellaneous in nature. These include expenses such as, among others, rental of machinery and equipment, hiring of vehicles, fuel, insurances, utilities, duties, levies and bank charges.

(c) Material costs

The major construction materials used for our projects are, among others, steel materials, concrete and cements, geotextile filters, and precast concrete products. We purchase construction materials based on the requirements of each of our projects and the construction materials purchased are usually delivered directly to the construction sites.

Most of our construction materials are sourced locally from our pool of approved suppliers by our Procurement team. We select suppliers for our construction materials based on the pricing, product availability and lead time for delivery.

(d) Direct labour costs

Our direct labour cost comprises salaries, wages, bonuses and other staff-related costs for our site workers who participate directly in the implementation of our projects.

(e) Material on site

Materials on site represents the net movement of materials delivered to site but not consumed and converted to construction contract output. Such materials comprising deformed steel bars, precast concrete road kerb, geotextile, street lights, steel pipe, concrete pipe, power cable, electrical substation and stone piles.

(f) Other construction costs

Other construction costs mainly comprises costs for relocation of utility infrastructure.

Cost of sales for property development

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

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12. FINANCIAL INFORMATION (CONT'D)

Our Group's cost of sales for the Period under Review is as follows:

Cost of sales by business segments

| | FYE 2021 | | FYE 2022 | | FYE 2023 | | FPE 2023 | | FPE 2024 | |
|----------------------|----------------|---------------|----------------|---------------|----------------|---------------|---------------|---------------|----------------|---------------|
| | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) |
| Construction | 146,257 | 90.55 | 200,114 | 97.12 | 197,387 | 97.15 | 91,438 | 96.82 | 110,179 | 99.97 |
| Property development | 15,272 | 9.45 | 5,930 | 2.88 | 5,801 | 2.85 | 3,000 | 3.18 | 34 | 0.03 |
| Total | 161,529 | 100.00 | 206,044 | 100.00 | 203,188 | 100.00 | 94,438 | 100.00 | 110,213 | 100.00 |

The major components of the cost of sales of our construction segment are as follows:

| | FYE 2021 | | FYE 2022 | | FYE 2023 | | FPE 2023 | | FPE 2024 | |
|---|----------------|--------------|----------------|--------------|----------------|--------------|---------------|--------------|----------------|--------------|
| | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) |
| Subcontractor costs | 96,620 | 59.82 | 92,786 | 45.03 | 86,365 | 42.50 | 41,092 | 43.51 | 25,805 | 23.41 |
| Project overhead and related costs | 32,775 | 20.29 | 36,320 | 17.63 | 45,569 | 22.43 | 22,662 | 24.00 | 22,981 | 20.85 |
| Material costs | 12,830 | 7.94 | 37,685 | 18.29 | 49,819 | 24.52 | 19,959 | 21.13 | 39,903 | 36.21 |
| Direct labour costs | 16,185 | 10.02 | 15,805 | 7.67 | 14,668 | 7.22 | 7,835 | 8.30 | 8,652 | 7.85 |
| (Increase)/Decrease in material on site | (15,693) | (9.72) | 13,593 | 6.60 | 63 | 0.03 | (537) | (0.57) | 3,229 | 2.93 |
| Other construction costs | 3,540 | 2.20 | 3,548 | 1.72 | 766 | 0.38 | 107 | 0.11 | 614 | 0.56 |
| Cost of ready-mixed concrete ⁽¹⁾ | - | - | 377 | 0.18 | 137 | 0.07 | 320 | 0.34 | 1,630 | 1.48 |
| Impact of litigation ⁽²⁾ | - | - | - | - | - | - | - | - | 7,365 | 6.68 |
| Total | 146,257 | 90.55 | 200,114 | 97.12 | 197,387 | 97.15 | 91,438 | 96.82 | 110,179 | 99.97 |

Notes:

- (1) Cost of ready-mixed concrete mainly comprises of construction materials such as cement, aggregate as well as quarry dust, sand and concrete admixture.

12. FINANCIAL INFORMATION (CONT'D)

- (2) This amount relates to statement of claim filed by OTA Tunnel Squad Sdn Bhd (“**OTA**”) against Pembinaan AJ relating to their appointment as our subcontractor for the Sepanggar tunnel project which was completed in 2015, as well as a settlement agreement entered into between OTA and Pembinaan AJ dated 9 September 2024 as further elaborated in Section 12.4.6(i) of this Prospectus (“**OTA Settlement**”). Further to the OTA Settlement, Pembinaan AJ recognised a total expense amount of RM10.61 million in the FPE 2024 which comprises the following:
- RM7.36 million as cost of sales (being the full claim amount of RM15.75 million less an amount of RM8.38 million previously recognised in the FYE 2016 by Pembinaan AJ as its assessment of the value of work done by OTA) as construction cost; and
 - RM3.25 million as interest expenses.

Comparison between FYE 2021 and FYE 2022

Our Group’s total cost of sales increased by RM44.52 million or 27.56% to RM206.05 million for the FYE 2022 (FYE 2021: RM161.53 million). The cost of sales of our construction segment increased by RM53.86 million or 36.82% and the cost of sales of our property development segment decreased by RM9.34 million or 61.17%.

The higher cost of sales for construction activities was mainly attributable to the net effect of the following:

- (a) a decrease in material on site for the FYE 2022 of RM13.59 million (as compared to an increase of RM15.69 million for the FYE 2021) which was mainly due to the utilisation of the aggregates created from blasting works which was mainly used in Pan Borneo Highway (WP06) Project and Jalan UMS Upgrading Project;
- (b) increase in construction materials purchased and used by RM24.86 million which was mainly for the Pan Borneo Highway (WP06) Project. However, the increase was partially offset by the lower amount of construction materials purchased and used for Jalan Lintas Upgrading Project as the construction activity was mainly carried out by our subcontractors whilst the construction materials purchased and used for Jalan UMS Upgrading Project also reduced due to increased utilisation of material on site;
- (c) increase in project overhead and related costs by RM3.55 million, mainly due to the increase in the following expenses:
 - (aa) increase in site vehicles, plant and machinery running expenses by RM6.97 million including an increase in diesel and oil expenses of RM3.14 million which was mainly attributable to higher usage for the Pan Borneo Highway (WP06) Project;
 - (bb) increase in project insurance by RM1.38 million which was mainly due to the payment of insurance premium for contractor’s all risks insurance and workmen’s compensation insurance for Pan Borneo Highway (WP06) Project following an extension to the contract period during the FYE 2022; and

12. FINANCIAL INFORMATION (CONT'D)

- (cc) increase in site general expenses by RM1.93 million mainly for the Jalan UMS Upgrading Project, which comprises the expenses incurred for project signboards and road finishings including guardrails and street lights.

However, the above increase was partially offset by the following:

- (aa) decrease in bank charges by RM2.58 million mainly due to the non-recurrence of the one-off bank commission and charges for further issuance of bank guarantee that was mainly incurred for Pan Borneo Highway (WP06) Project in FYE 2021; and
- (bb) decrease in hiring and transportation charges by RM4.15 million which was mainly due to hiring lesser construction machinery and lorries for the Pan Borneo Highway (WP06) Project as we used our own site vehicles, plant and machinery.
- (d) decrease in subcontractor costs by RM3.83 million which was mainly attributable to the higher project overhead costs and material costs incurred as more construction works were performed by our in-house project team.

Additionally, the cost of sales for our property development activities decreased by RM9.34 million to RM5.93 million (FYE 2021: RM15.27 million) due to a lower number of completed industrial properties sold under "The Factory @ Inanam" for the FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our Group's total cost of sales decreased by RM2.86 million or 1.39% to RM203.19 million for the FYE 2023 (FYE 2022: RM206.05 million). The cost of sales of our construction segment decreased by RM2.73 million or 1.36% and the cost of sales of our property development segment decreased by RM0.13 million or 2.19%.

The lower cost of sales for construction activities was mainly attributable to the net effect of the following:

- (a) decrease in subcontractor costs by RM6.42 million which was mainly due to the lower subcontractor costs incurred for the Pan Borneo Highway (WP06) Project as a greater proportion of the construction works were performed in-house during the FYE 2023;
- (b) decrease in other construction costs by RM2.78 million due to the reduction in costs for relocation of utility works of RM1.90 million in the FYE 2023;
- (c) decrease in direct labour costs by RM1.14 million which was mainly due to the reduction in direct labour costs of Jalan Lintas Upgrading Project which required less work done as the project nears completion, and Jalan UMS Upgrading Project where a greater proportion of the construction works were performed by external subcontractors. However, this decrease was partially offset by the increase in direct labour costs for Pan Borneo Highway (WP06) Project, Kota Belud Road Project and DBKK Sewerage Project in line with the increase in work performed on these projects during the financial year;

12. FINANCIAL INFORMATION (CONT'D)

- (d) increase in construction materials used by RM11.83 million which was mainly used for Pan Borneo Highway (WP06) Project and Jalan UMS Upgrading Project;
- (e) increase in project overhead and related costs by RM9.25 million, mainly due to the increase in the following expenses:
 - (aa) increase in hiring and transportation charges by RM5.21 million which was mainly incurred for Pan Borneo Highway (WP06) Project; and
 - (bb) a payment of RM1.80 million to Sabah Electricity Sdn Bhd in relation to a disruption in the electricity supply due to damages caused to underground electricity cables owned by Sabah Electricity Sdn Bhd.

Comparison between FPE 2023 and FPE 2024

Our Group's total cost of sales increased by RM15.77 million or 16.70% to RM110.21 million for the FPE 2024 (FPE 2023: RM94.44 million). The cost of sales of our construction segment increased by RM18.74 million or 20.50% and the cost of sales of our property development segment decreased by RM2.97 million or 99.00%.

The higher cost of sales for construction activities was mainly attributable to the net effect of the following:

- (a) increase in construction materials purchased and used by RM19.94 million which was mainly for the Pan Borneo Highway (WP06) Project. However, the increase was partially offset by the lower amount of construction materials purchased and used for Jalan UMS Upgrading Project due to increased utilisation of material on site;
- (b) a decrease in material on site for the FPE 2024 of RM3.23 million (as compared to an increase of RM0.54 million for the FPE 2023) which was mainly due to the utilisation of the aggregates created from blasting works which was mainly used in Pan Borneo Highway (WP06) Project and Jalan UMS Upgrading Project;
- (c) decrease in subcontractor costs by RM15.29 million which was mainly attributable to the lower subcontractor costs incurred for the Jalan UMS Upgrading Project as the project is near to its completion. In addition, more construction works for Pan Borneo Highway (WP06) Project, Pulau Sebatik Road Project and Kota Belud Road Project were performed by our in-house project team.

Our cost of sales for construction activities was also impacted by RM7.36 million arising from the OTA Settlement.

We also recognised an amount of RM33,527 as cost of sales for our property development activities arising from miscellaneous charges such as quit rent and assessment, water and electricity as well as insurance incurred for the unsold completed industrial properties.

12. FINANCIAL INFORMATION (CONT'D)

(iii) GP and GP margin

Prior to entering into a construction contract, we base our pricing on preliminary cost estimates which takes into account amongst others, quotations from our suppliers and subcontractors, the quantity and cost of construction materials required, project duration and complexity. Our Group allocates cost estimates (including budgeted contingency cost) when determining our pricing to account for potential increases in the prices of construction materials, subcontracted services or labour which are not within our control.

In view that our Group recognises revenue from construction activities based on the proportion of cost incurred as compared to the total estimated cost of the project, the GP margin for any given project may be higher than originally expected if the prices of construction materials are lower than forecasted or if we are able to obtain more favourable terms from our suppliers and subcontractors while such GP margins may be lower than originally expected if the prices for such inputs were higher than previously forecasted.

We review our project cost estimates on a regular basis based on updated information and this may lead to an increase or decrease in the total estimated cost of the project which forms the basis of our revenue recognition.

The following table sets out our Group's GP and GP margin by business segment for the Period under Review:

GP and GP margin by business activities

| | FYE 2021 | | Audited | | FYE 2023 | | Unaudited | | Audited | |
|-------------------------------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|--------------|
| | GP margin | | GP margin | | GP margin | | GP margin | | GP margin | |
| | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) |
| Construction | 65,783 | 31.02 | 89,263 | 30.85 | 77,379 | 28.16 | 32,720 | 26.35 | 38,645 | 25.97 |
| <i>Construction contracts</i> | 65,783 | 31.02 | 88,776 | 30.77 | 76,421 | 27.92 | 32,325 | 26.19 | 38,283 | 26.07 |
| <i>Sale of ready-mixed concrete</i> | - | - | 487 | 56.37 | 958 | 87.49 | 395 | 55.24 | 362 | 18.19 |
| Property development | 4,145 | 21.35 | 1,531 | 20.52 | 199 | 3.32 | - | - | (34) | - |
| Total | 69,928 | 30.21 | 90,794 | 30.59 | 77,578 | 27.63 | 32,720 | 25.73 | 38,611 | 25.94 |

As illustrated above, our GP was mainly generated from construction contracts, which contributed over 94% of our Group's GP in each of the financial years / periods during the Period under Review.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2021 and FYE 2022**

Our Group's GP increased by RM20.86 million or 29.83% to RM90.79 million for the FYE 2022 (FYE 2021: RM69.93 million). Our Group recognised higher GP from construction activities which mainly due to higher revenue generated from the Pan Borneo Highway (WP06) Project and Jalan Lintas Upgrading Project which was offset with the lower GP from property development activities due to lower sales of industrial properties during the FYE 2022.

The GP margin of our construction activities decreased slightly from 31.02% for the FYE 2021 to 30.85% for the FYE 2022. This was due to net effect of the following:

- (a) lower GP margin for the Pan Borneo Highway (WP06) Project resulting from upward revision of estimated project cost to incorporate the estimated higher material costs as well as project overhead and related costs; and
- (b) higher GP margin recognised from the Jalan Lintas Upgrading Project following a reduction in the budgeted contingency costs as the project nears its completion.

The GP margin from our property development activities remained relatively steady at 20.52% for the FYE 2022 as compared to 21.35% for the FYE 2021.

Comparison between FYE 2022 and FYE 2023

Our Group's GP decreased by RM13.21 million or 14.55% to RM77.58 million for the FYE 2023 (FYE 2022: RM90.79 million). Our Group recognised lower GP from construction activities which was in line with lower revenue generated in the FYE 2023.

The GP margin from our construction activities decreased slightly from 30.85% for the FYE 2022 to 28.16% for the FYE 2023. This was mainly due to the net effect of the following:

- (a) a decrease in revenue contribution from Jalan Lintas Upgrading Project from 9.95% to 0.75% which had contributed a high GP margin in the FYE 2022; and
- (b) an increase in the GP margin for the Pan Borneo Highway (WP06) Project following the change in project design and specification which resulted in an overall reduction in estimated project cost.

The GP margin from our property development activities declined from 20.52% for the FYE 2022 to 3.32% for the FYE 2023 due to discounts offered for the sale of properties during the FYE 2023 as our Group seeks to clear our inventory of completed industrial property units.

12. FINANCIAL INFORMATION (CONT'D)

Comparison between FPE 2023 and FPE 2024

Our Group's GP increased by RM5.89 million or 18.00% to RM38.61 million for the FPE 2024 (FPE 2023: RM32.72 million). Our Group recognised higher GP from construction activities which mainly due to higher revenue generated from the Pan Borneo Highway (WP06) Project and DBKK Sewerage Project. The increase in GP was partially offset with lower GP from Jalan UMS Upgrading Project which recorded lower revenue and the impact of the OTA Settlement amounting to RM7.36 million which was recognised in the FPE 2024.

The GP margin of our construction activities decreased slightly from 26.35% for the FPE 2023 to 25.97% for the FPE 2024, mainly due to the impact of the OTA Settlement.

(iv) Other operating income

The breakdown of our Group's other income for the Period under Review is as follows:

| | FYE 2021 | | FYE 2022 | | FYE 2023 | | FPE 2023 | | FPE 2024 | |
|---------------------------------------|--------------|---------------|--------------|---------------|--------------|---------------|------------|---------------|------------|---------------|
| | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) |
| Hiring income ⁽¹⁾ | 770 | 43.40 | 386 | 28.98 | 277 | 24.28 | 78 | 20.47 | 344 | 41.65 |
| Administrative charges ⁽²⁾ | 672 | 37.88 | 313 | 23.50 | 535 | 46.89 | 171 | 44.88 | 253 | 30.63 |
| Wage subsidies ⁽³⁾ | 139 | 7.84 | - | - | - | - | - | - | - | - |
| Gain on disposal of assets | - | - | 345 | 25.90 | 1 | 0.09 | 1 | 0.26 | 69 | 8.35 |
| Other income ⁽⁴⁾ | 193 | 10.88 | 288 | 21.62 | 328 | 28.74 | 131 | 34.39 | 160 | 19.37 |
| Total | 1,774 | 100.00 | 1,332 | 100.00 | 1,141 | 100.00 | 381 | 100.00 | 826 | 100.00 |

Notes:

- (1) Hiring income received from subcontractors for hiring of plant and machinery as well as motor vehicles.
- (2) Administrative charges are charged by our Group to subcontractors for the on-behalf purchase of construction materials.
- (3) The wage subsidies received are financial assistance provided by Social Security Organisation pursuant to the wage subsidy programme initiated in June 2020 to help employers who are affected economically by the COVID-19 pandemic.
- (4) Other income comprises rebates received from our insurance providers for purchase of insurance directly from the insurance company, interest on late payment charges, rental income and other miscellaneous income.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2021 and FYE 2022**

Our Group's other operating income decreased by RM0.44 million or 24.86% to RM1.33 million for the FYE 2022 (FYE 2021: RM1.77 million). This decrease was mainly due to the following:

- (a) decrease in hiring income by RM0.38 million due to lesser construction machinery and equipment hired by our subcontractors from us in the FYE 2022; and
- (b) decrease in administrative charges by RM0.36 million as there was lesser purchase of construction materials on behalf of subcontractors.

However, the decrease in our Group's other operating income was partially offset by a one-off gain on disposal of motor vehicles of RM0.35 million.

Comparison between FYE 2022 and FYE 2023

Our Group's other operating income decreased by RM0.19 million or 14.29% to RM1.14 million for the FYE 2023 (FYE 2022: RM1.33 million). This decrease was mainly due to one-off gain on disposal of motor vehicles of RM0.35 million took place in FYE 2022 which did not recur in the FYE 2023.

However, the decrease in our Group's other operating income was partially offset by the increase of administrative charges by RM0.22 million as there was more purchases of construction materials on behalf of our subcontractors.

Comparison between FPE 2023 and FPE 2024

Our Group's other operating income increased by RM0.45 million or 118.11% to RM0.83 million for the FPE 2024 (FPE 2023: RM0.38 million). This increase was mainly due increase in hiring income by RM0.27 million due to more construction machinery and equipment hired by our subcontractors from us in the FPE 2024.

(v) Allowance for expected credit losses

Our Group recorded an allowance for expected credit losses after taking into consideration the credit and default risks of our receivables. Our Group's allowance for expected credit losses for the Period under Review is as follows:

| | <u>Audited</u> | | | <u>Unaudited</u> | <u>Audited</u> |
|--------------------------------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | <u>FYE 2021</u> | <u>FYE 2022</u> | <u>FYE 2023</u> | <u>FPE 2023</u> | <u>FPE 2024</u> |
| | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> |
| Allowance for expected credit losses | - | 4,264 | - | - | - |

In FYE 2022, our Group recognised an allowance for expected credit losses of RM4.26 million arising from the receivables from Malayan Banking Berhad pursuant to the execution of a third-party deed of assignment of contract proceeds for the construction of Pan Borneo Highway (WP06) Project. As at the LPD, our Group is involved in litigation against Malayan Banking Berhad to recover this amount. Please refer to Section 14.6 of this Prospectus for further information.

12. FINANCIAL INFORMATION (CONT'D)

(vi) Administrative expenses

The breakdown of our Group's administrative expenses for the Period under Review is as follows:

| | FYE 2021 | | FYE 2022 | | FYE 2023 | | FYE 2024 | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) |
| Staff remuneration | 6,089 | 31.23 | 9,472 | 29.59 | 10,881 | 34.28 | 5,703 | 32.70 |
| Directors' remuneration | 7,381 | 37.86 | 9,956 | 31.10 | 10,787 | 33.99 | 6,376 | 36.56 |
| Legal and professional fees ⁽¹⁾ | 1,007 | 5.17 | 3,076 | 9.61 | 2,507 | 7.90 | 1,117 | 6.41 |
| Donations and entertainment expenses | 759 | 3.89 | 2,478 | 7.74 | 2,312 | 7.29 | 828 | 4.75 |
| Office expenses | 960 | 4.92 | 1,078 | 3.37 | 540 | 1.70 | 318 | 1.82 |
| Depreciation | 957 | 4.91 | 1,400 | 4.37 | 1,470 | 4.63 | 915 | 5.25 |
| Insurance | 390 | 2.00 | 681 | 2.13 | 700 | 2.21 | 178 | 1.02 |
| Advertising and marketing | 245 | 1.26 | 130 | 0.41 | 101 | 0.32 | - | - |
| Other administrative expenses ⁽²⁾ | 1,707 | 8.76 | 3,740 | 11.68 | 2,437 | 7.68 | 2,003 | 11.49 |
| Total | 19,495 | 100.00 | 32,011 | 100.00 | 31,735 | 100.00 | 17,438 | 100.00 |
| | | | | | | | 19,618 | 100.00 |

Notes:

(1) Comprises legal fees in relation to the litigation cases, advisory fees in relation to the corporate exercises undertaken by the Group as well as audit, tax and secretarial fees.

(2) Other administrative expenses mainly comprise expenses such as accounting software charges, administrative charges, bank charges, license and permit, penalty, plant and equipment written off, repair and maintenance, service charges, stamp duty, subscription fees, survey fees, tender fees, transportation, and other miscellaneous expenses.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2021 and FYE 2022**

Our Group's administrative expenses increased by RM12.51 million or 64.15% to RM32.01 million in FYE 2022 (FYE 2021: RM19.50 million). This increase was mainly due to the following:

- (a) increase in staff costs by RM3.38 million or 55.50% from RM6.09 million in FYE 2021 to RM9.47 million, mainly due to increase in compensation paid to our senior management team as well as increase in staff welfare by RM0.85 million;
- (b) increase in directors' remuneration by RM2.57 million in view of our Group's better financial performance as compared to the previous financial year, amongst others, directors' salaries increased by RM1.23 million followed by increase in bonus of RM0.98 million and directors' fee of RM0.15 million;
- (c) professional fees incurred of RM1.48 million relating to an earlier corporate exercise proposed to be undertaken by our Group which was subsequently aborted;
- (d) increase in donations and entertainment expenses by RM1.72 million mainly due to higher entertainment expenses incurred during the FYE 2022; and
- (e) increase in other expenses by RM2.18 million which was mainly attributable to the following:
 - (aa) stamp duty of RM0.83 million incurred in the FYE 2022 (FYE 2021: RM0.10 million) and bank charges of RM0.43 million incurred in the FYE 2022 (FYE 2021: RM0.20 million) for the new financing facilities obtained to fund the Pulau Sebatik Road Project and Kota Belud Road Project as well as for the sale and purchase agreement relating to the acquisition of a property in Kota Kinabalu, Sabah;
 - (bb) rental of staff accommodation incurred in the FYE 2022 of RM0.15 million (FYE 2021: Nil); and
 - (cc) increases in transportation, repair and maintenance of RM0.29 million and RM0.21 million, respectively in tandem with the increased activity of our Group as compared to the previous financial year.

Comparison between FYE 2022 and FYE 2023

Our Group's administrative expenses decreased by RM0.27 million or 0.84% to RM31.74 million in FYE 2023 (FYE 2022: RM32.01 million). This decrease was mainly due to the decrease in bank charges and stamp duties by RM1.06 million which was partially offset by the increase in staff costs by RM1.41 million.

Comparison between FPE 2023 and FPE 2024

Our Group's administrative expenses increased by RM2.18 million or 12.50% to RM19.62 million in FPE 2024 (FPE 2023: RM17.44 million). This increase was mainly due to net effect of the following:

12. FINANCIAL INFORMATION (CONT'D)

- (a) increase in staff costs by RM1.13 million, mainly due to bonus paid in FPE 2024 of RM1.89 million and increase in compensation paid to our senior management team;
- (b) increase in professional fees by RM0.71 million, mainly due to legal fees of RM0.40 million incurred in relation to the litigation cases as set out in Section 12.4.6 of this Prospectus and professional fees incurred for the Listing of RM0.20 million;
- (c) increase in other expenses by RM0.88 million which was mainly attributable to the stamp duty of RM0.51 million incurred for the new financing facilities obtained to fund our Group's working capital.

(vii) Finance income

Our Group's finance income for the Period under Review is as follows:

| | <u>FYE 2021</u> | <u>FYE 2022</u> | <u>FYE 2023</u> | <u>FPE 2023</u> | <u>FPE 2024</u> |
|---|-----------------|-----------------|-----------------|-----------------|-----------------|
| | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> |
| Interest income from fixed deposits with licensed banks | 138 | 448 | 866 | 382 | 683 |

Comparison between FYE 2021 and FYE 2022

Our Group's finance income increased by RM0.31 million to RM0.45 million (FYE 2021: RM0.14 million), mainly due to an increase in placements of fixed deposits with licensed banks during FYE 2022 of RM13.57 million, of which RM12.57 million was pledged and RM1.00 million was fixed deposits with initial maturity of more than 3 months. For information, our fixed deposits placed with licensed banks as at 31 December 2022 amounted to RM41.29 million (31 December 2021: RM27.71 million).

Comparison between FYE 2022 and FYE 2023

Our Group's finance income increased by RM0.42 million to RM0.87 million for the FYE 2023 (FYE 2022: RM0.45 million), mainly due to placements of fixed deposits placed with licensed banks during the FYE 2023 of RM7.98 million, of which RM7.59 million was pledged and RM0.39 million was fixed deposits with initial maturity of more than 3 months. For information, our fixed deposits placed with licensed banks as at 31 December 2023 amounted to RM49.27 million (31 December 2022: RM41.29 million).

Comparison between FPE 2023 and FPE 2024

Our Group's finance income increased by RM0.30 million to RM0.68 million for the FPE 2024 (FPE 2023: RM0.38 million), mainly due to placements of fixed deposits placed with licensed banks during the FPE 2024 of RM0.35 million, of which RM0.32 million was pledged and RM0.03 million was fixed deposits with initial maturity of more than 3 months. For information, our fixed deposits placed with licensed banks as at 30 June 2024 amounted to RM49.62 million (31 December 2023: RM49.27 million).

12. FINANCIAL INFORMATION (CONT'D)

(viii) Finance costs

The breakdown of our Group's finance costs for the Period under Review is as follows:

| | FYE 2021 | | FYE 2022 | | FYE 2023 | | FPE 2023 | | FPE 2024 | |
|---------------------------------------|--------------|---------------|---------------|---------------|--------------|---------------|--------------|---------------|--------------|---------------|
| | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) | (RM'000) | (%) |
| Interest expenses on: | | | | | | | | | | |
| - term loans | 966 | 15.29 | 2,114 | 20.49 | 1,673 | 18.02 | 756 | 18.53 | 934 | 11.81 |
| - revolving credits | 466 | 7.38 | 2,582 | 25.03 | 1,925 | 20.73 | 462 | 11.33 | 731 | 9.24 |
| - bank overdrafts | 1,644 | 26.02 | 2,458 | 23.83 | 2,030 | 21.87 | 1,043 | 25.57 | 1,067 | 13.49 |
| - trust receipts | 1,719 | 27.20 | 1,809 | 17.54 | 2,463 | 26.53 | 1,150 | 28.19 | 1,504 | 19.01 |
| - hire purchase liabilities | 1,272 | 20.13 | 1,287 | 12.48 | 1,145 | 12.33 | 638 | 15.64 | 390 | 4.93 |
| - trade payables ⁽¹⁾ | 178 | 2.82 | 11 | 0.11 | 3 | 0.03 | 2 | 0.05 | 3 | 0.04 |
| - other lease liabilities | 73 | 1.16 | 54 | 0.52 | 45 | 0.49 | 28 | 0.69 | 27 | 0.34 |
| - impact of litigation ⁽²⁾ | - | - | - | - | - | - | - | - | 3,254 | 41.14 |
| Total | 6,318 | 100.00 | 10,315 | 100.00 | 9,284 | 100.00 | 4,079 | 100.00 | 7,910 | 100.00 |

Notes:

- (1) Refers to the late payment fee charged by our trade creditors/hire purchase payables.
- (2) This amount relates to the OTA Settlement as mentioned in Section 12.3.3(ii) above and as further elaborated in Section 12.4.6(i) of this Prospectus. Further to the OTA Settlement, Pembinaan AJ recognised a total expense amount of RM10.61 million in the FPE 2024 which comprises the following:
 - RM7.36 million as cost of sales (being the full claim amount of RM15.75 million less an amount of RM8.38 million previously recognised in the FYE 2016 by Pembinaan AJ as its assessment of the value of work done by OTA) as construction cost; and
 - RM3.25 million as interest expenses.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2021 and FYE 2022**

Our Group's finance costs increased by RM4.00 million to RM10.32 million in the FYE 2022 (FYE 2021: RM6.32 million). This was mainly attributable to the following:

- (a) increase in interest expenses on revolving credit and bank overdraft of RM2.11 million and RM0.82 million respectively, due to increased utilisation of these facilities for working capital purposes as well as a higher average interest rate charged by the financial institutions in the FYE 2022; and
- (b) increase in interest expenses on term loan of RM1.14 million. Despite a repayment of RM2.44 million, the increase in term loan interests was due to the higher interest rate in the FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our Group's finance costs decreased by RM1.04 million to RM9.28 million in the FYE 2023 (FYE 2022: RM10.32 million). This was mainly attributable to the following:

- (a) decrease in interest expenses on revolving credit of RM0.06 million and due to progressive repayment of revolving credit throughout the year;
- (b) decrease in interest expenses on bank overdraft of RM0.43 million due to decrease in utilisation of bank overdraft during the year; and
- (c) decrease in interest expenses on term loan of RM0.44 million due to repayment of RM4.01 million in the FYE 2023.

Comparison between FPE 2023 and FPE 2024

Our Group's finance costs increased by RM3.83 million to RM7.91 million in the FPE 2024 (FPE 2023: RM4.08 million). This was mainly attributable to the interest expense of RM3.25 million relating to the OTA Settlement as further elaborated in Section 12.4.6(i) of this Prospectus.

(ix) PBT and PBT margin

Our Group's PBT for the Period under Review is as follows:

| | Audited | | | Unaudited | Audited |
|----------------|-----------------|-----------------|-----------------|------------------|-----------------|
| | FYE 2021 | FYE 2022 | FYE 2023 | FPE 2023 | FPE 2024 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| PBT | 46,027 | 45,984 | 38,566 | 11,966 | 12,592 |
| PBT margin (%) | 19.89 | 15.49 | 13.74 | 9.41 | 8.46 |

Comparison between FYE 2021 and FYE 2022

Our Group's PBT decreased by RM0.05 million to RM45.98 million in the FYE 2022 (FYE 2021: RM46.03 million) and our Group's PBT margin declined from 19.89% for the FYE 2021 to 15.49% for the FYE 2022. The decrease in PBT and PBT margin was mainly due to the increase in administrative expenses and finance costs as well as the recognition of allowance for expected credit losses relating to the ongoing litigation between Pembinaan AJ and Malayan Banking Berhad as set out in Section 14.6 of this Prospectus during the FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2022 and FYE 2023**

Our Group's PBT decreased by RM7.41 million to RM38.57 million in the FYE 2023 (FYE 2022: RM45.98 million) and our Group's PBT margin declined from 15.49% for the FYE 2022 to 13.74% for the FYE 2023. The decrease in PBT and PBT margin was mainly due to the decrease in GP and GP margin for the FYE 2023 while administrative expenses remained relatively unchanged.

Comparison between FPE 2023 and FPE 2024

Our Group's PBT increased by RM0.63 million to RM12.59 million in the FPE 2024 (FPE 2023: RM11.96 million) and our Group's PBT margin declined from 9.41% for the FPE 2024 to 8.46% for the FPE 2023. The increase in PBT was mainly due to our Group's higher GP for the FPE 2024. The lower PBT margin was mainly due to the increase in our administrative expenses by RM2.32 million and the impact of the OTA Settlement which increased our finance costs by RM3.25 million.

(x) Tax expenses

Our Group's tax expense for the Period under Review is as follows:

| | <u>Audited</u> | | | <u>Unaudited</u> | <u>Audited</u> |
|---------------------------------------|----------------------|----------------------|----------------------|---------------------|---------------------|
| | <u>FYE 2021</u> | <u>FYE 2022</u> | <u>FYE 2023</u> | <u>FPE 2023</u> | <u>FPE 2024</u> |
| | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> |
| Income tax expenses | | | | | |
| Current year | 8,575 | 10,508 | 6,663 | 2,100 | 1,814 |
| Under/(over)-provision in prior years | (270) | 118 | 1,143 | 1,143 | 567 |
| | <u>8,305</u> | <u>10,626</u> | <u>7,806</u> | <u>3,243</u> | <u>2,381</u> |
| Deferred tax | | | | | |
| Current year | 3,954 | 3,526 | 4,476 | 1,823 | 2,774 |
| Under/(over)-provision in prior years | (422) | 118 | 300 | 82 | (385) |
| | <u>3,532</u> | <u>3,644</u> | <u>4,776</u> | <u>1,905</u> | <u>2,389</u> |
| Total tax expense | <u>11,837</u> | <u>14,270</u> | <u>12,582</u> | <u>5,148</u> | <u>4,770</u> |
| Effective tax rate (%) | 25.72 | 31.03 | 32.62 | 43.02 | 37.88 |

The applicable statutory tax rate for the Period under Review is 24.00%.

FYE 2021

Our Group's effective tax rate of 25.72% was higher than the statutory tax rate of 24.00%. This was mainly due to non tax-deductible expenses of RM1.55 million arising from interest expenses which are subject to interest restriction of RM3.00 million and depreciation of non-qualifying property, plant and equipment of RM1.20 million.

FYE 2022

Our Group's effective tax rate of 31.03% was higher than the statutory tax rate of 24.00%. This was mainly due to non tax-deductible expenses of RM3.06 million which mainly arising from interest restriction of RM6.39 million, depreciation of non-qualifying property, plant and equipment of RM1.72 million, professional and legal fees of RM1.53 million, donations and entertainment of

12. FINANCIAL INFORMATION (CONT'D)

RM1.88 million, stamp duty of RM0.56 million as well as an under-provision in prior year of RM0.24 million.

FYE 2023

Our Group's effective tax rate of 32.62% was higher than the statutory tax rate of 24.00%. This was mainly due to under-provision of current tax in prior year of RM1.14 million and non tax-deductible expenses of RM1.88 million which mainly arising from interest restriction of RM2.84 million, depreciation of non-qualifying property, plant and equipment of RM1.83 million, donations and entertainment of RM1.13 million as well as professional and legal fees of RM1.14 million.

FPE 2024

Our Group's effective tax rate of 37.88% was higher than the statutory tax rate of 24.00%. This was mainly due to under-provision of current tax in prior year of RM0.57 million and non tax-deductible expenses of RM1.57 million which mainly arising from interest restriction of RM1.67 million, depreciation of non-qualifying property, plant and equipment of RM0.83 million, donations and entertainment of RM1.08 million as well as professional and legal fees of RM1.26 million.

12.3.4 Review of financial position**(i) Assets**

| | Audited | | | |
|---|--------------------------|-----------------|-----------------|------------------|
| | As at 31 December | | | As at 30 |
| | 2021 | 2022 | 2023 | June 2024 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Non-current assets | | | | |
| Property, plant and equipment | 33,379 | 36,614 | 53,125 | 58,895 |
| Right of use assets | 34,645 | 40,202 | 29,451 | 23,059 |
| Investment property | - | 1,725 | 1,687 | 1,669 |
| Inventories | 3,093 | 3,148 | 3,210 | 3,210 |
| Deferred tax assets | - | 37 | - | - |
| Trade receivables | - | - | 1,500 | 1,500 |
| Total non-current assets | 71,117 | 81,726 | 88,973 | 88,333 |
| Current assets | | | | |
| Inventories | 20,760 | 14,992 | 9,280 | 9,280 |
| Trade receivables | 86,289 | 85,881 | 43,257 | 80,937 |
| Other receivables, deposits and prepayments | 74,919 | 59,368 | 33,712 | 23,678 |
| Contract assets | 11,377 | 30,008 | 77,639 | 129,259 |
| Contract costs | 20,033 | 6,440 | 6,377 | 3,148 |
| Tax recoverable | - | - | 578 | 1,255 |
| Fixed deposit with licensed banks | 27,714 | 41,289 | 49,274 | 49,627 |
| Cash and bank balances | 9,307 | 17,731 | 29,691 | 1,068 |
| Total current assets | 250,399 | 255,709 | 249,808 | 298,252 |
| Total assets | 321,516 | 337,435 | 338,781 | 386,585 |

12. FINANCIAL INFORMATION (CONT'D)**Comparison between 31 December 2021 and 31 December 2022**

Our total assets increased by RM15.92 million or 4.95% from RM321.52 million as at 31 December 2021 to RM337.44 million as at 31 December 2022. This increase was mainly due to net effect of the following:

- (i) the increase in property, plant and equipment, right of use assets and investment property of RM10.52 million mainly due to purchases of amongst others motor vehicles, site equipment and plant and machinery of RM20.59 million which was offset by depreciation of RM9.88 million and disposals of motor vehicles and plant and machinery of RM0.22 million;
- (ii) decrease in inventories of RM5.71 million mainly due to the sale of 2 units of completed industrial properties from our "The Factory @ Inanam" project;
- (iii) net increase in trade receivables, contract assets and contract costs of RM4.63 million which was mainly attributable to slower collections from our clients for work done due to our clients' lengthy internal process of verifying work done certification before payments are made;
- (iv) decrease in other receivables, deposits and prepayments of RM15.55 million mainly due to repayment of advances from related parties;
- (v) increase in fixed deposits of RM13.57 million of which RM12.57 million is pledged with licensed banks as security for our Group's project financing facilities; and
- (vi) increase in cash and bank balances of RM8.42 million. Please refer to Section 12.4.2 below for further analysis of our cash flows.

Comparison between 31 December 2022 and 31 December 2023

Our total assets increased by RM1.34 million or 0.40% from RM337.44 million as at 31 December 2022 to RM338.78 million as at 31 December 2023. This increase was mainly due to the net effect of the following:

- (i) the increase in property, plant and equipment, right of use assets and investment property of RM5.72 million due to purchases of amongst others leasehold land, building and plant and machinery of RM16.26 million which was offset by depreciation of RM10.62 million and write off of motor vehicles of RM0.06 million;
- (ii) decrease in inventories of RM5.65 million following the sale of 2 units of completed industrial properties from our "The Factory @ Inanam" project;
- (iii) increase in non-current trade receivables of RM1.50 million arising from the sale of a completed industrial property unit which is payable by the buyer in 4 equal annual instalments;
- (iv) net increase in trade receivables, contract assets and contract costs of RM4.94 million which was mainly attributable to the work done for Jalan UMS Upgrading Project and Pan Borneo Highway (WP06) Project;

12. FINANCIAL INFORMATION (CONT'D)

- (v) decrease in other receivables, deposits and prepayments of RM25.66 million mainly due to repayment of advances from related parties and decrease in recoverable expenses arising from the advances and purchase of construction raw materials on behalf of our subcontractors and offset against payment to our subcontractors for work done;
- (vi) increase in fixed deposits of RM7.99 million of which RM7.59 million is pledged with licensed banks as security for our Group's project financing facilities; and
- (vii) increase in cash and bank balances of RM11.96 million. Please refer to Section 12.4.2 below for further analysis of our cash flows.

Comparison between 31 December 2023 and 30 June 2024

Our total assets increased by RM47.80 million or 14.11% from RM338.78 million as at 31 December 2023 to RM386.58 million as at 30 June 2024. This increase was mainly due to the net effect of the following:

- (i) net increase in trade receivables, contract assets and contract costs of RM86.07 million which was mainly attributable to the work done for Jalan UMS Upgrading Project and Pan Borneo Highway (WP06) Project;
- (ii) decrease in other receivables, deposits and prepayments of RM10.03 million mainly due to repayment of advances from related parties and decrease in recoverable expenses arising from the advances and purchase of construction raw materials on behalf of our subcontractors and offset against payment to our subcontractors for work done; and
- (iii) decrease in cash and bank balances of RM28.62 million. Please refer to Section 12.4.2 below for further analysis of our cash flows.

(ii) Liabilities

| | Audited | | | |
|--------------------------------------|--------------------------|-----------------|-----------------|------------------|
| | As at 31 December | | | As at 30 |
| | 2021 | 2022 | 2023 | June 2024 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Non-current liabilities | | | | |
| Term loans | 19,541 | 16,203 | 23,872 | 21,428 |
| Lease liabilities | 11,890 | 10,760 | 6,338 | 4,866 |
| Deferred tax liabilities | 2,201 | 5,883 | 10,621 | 13,010 |
| Trade payables | 22,439 | 25,350 | 24,147 | 19,078 |
| Total non-current liabilities | 56,071 | 58,196 | 64,978 | 58,382 |

12. FINANCIAL INFORMATION (CONT'D)

| | Audited | | | |
|----------------------------------|--------------------------|-----------------|-----------------|------------------|
| | As at 31 December | | | As at 30 |
| | 2021 | 2022 | 2023 | June 2024 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Current liabilities | | | | |
| Trade payables | 38,541 | 33,684 | 37,289 | 38,297 |
| Other payables and accruals | 10,442 | 14,226 | 4,476 | 5,891 |
| Dividend payable | - | - | 8,557 | - |
| Contract liabilities | 52,690 | 33,533 | 18,046 | 32,376 |
| Borrowings | 87,259 | 99,728 | 103,821 | 145,276 |
| Lease liabilities | 12,772 | 13,573 | 9,482 | 8,081 |
| Tax payable | 9,190 | 8,230 | 3,383 | 1,711 |
| Total current liabilities | 210,894 | 202,974 | 185,054 | 231,632 |
| Total liabilities | 266,965 | 261,170 | 250,032 | 290,014 |

Comparison between 31 December 2021 and 31 December 2022

Our total liabilities decreased by RM5.80 million or 2.17% from RM266.97 million as at 31 December 2021 to RM261.17 million as at 31 December 2022. This decrease was mainly due to the net effect of the following:

- (i) increase in total borrowings⁽¹⁾ of RM8.80 million mainly due to drawdown of overdraft facilities to finance our Group's working capital;
- (ii) decrease in trade payables and contract liabilities of RM21.10 million due to the net effect of the following:
 - (a) a decrease in the contract liabilities of Jalan Lintas Upgrading Project and Pan Borneo Highway (WP06) Project by RM24.81 million and RM18.31 million, respectively;
 - (b) the recognition of contract liabilities for the Pulau Sebatik Road Project and Kota Belud Road Project of RM11.23 million and RM12.73 million, respectively;
 - (c) decrease in trade payables owing to third parties of RM4.17 million; and
 - (d) increase in retention sum of RM2.91 million;
- (iii) increase in other payables and accruals by RM3.78 million mainly due to increase in amount owing to related parties and to the vendors of plant and equipment purchased during the year;
- (iv) increase in deferred tax liabilities by RM3.68 million mainly due to timing differences between accounting profit before taxation and adjusted taxable profit as well as differences between tax capital allowances and accounting depreciation as a result of additions of new assets; and
- (v) decrease in tax payable of RM0.96 million.

Note:

- (1) Total borrowings comprise term loans, lease liabilities and borrowings.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between 31 December 2022 and 31 December 2023**

Our total liabilities decreased by RM11.14 million or 4.27% from RM261.17 million as at 31 December 2022 to RM250.03 million as at 31 December 2023. This decrease was mainly due to the net effect of the following:

- (i) increase in total borrowings⁽¹⁾ of RM3.25 million due to the effect of the following:
 - (a) repayment of overdraft facilities of RM15.02 million; and
 - (b) net drawdown of revolving credit facilities and trust receipts of RM19.10 million to finance our Group's working capital;
- (ii) decrease in trade payables and contract liabilities of RM13.09 million due to the net effect of the following:
 - (a) decrease in contract liabilities by RM15.49 million for the Pan Borneo Highway (WP06) Project, Pulau Sebatik Road Project and Kota Belud Road Project;
 - (b) increase in trade payables by RM2.40 million mainly due to Jalan UMS Upgrading Project and Pan Borneo Highway (WP06) Project which was offset against a reduction in the retention sums held by our Group for the Jalan Lintas Upgrading Project;
- (iii) decrease in other payables and accruals by RM9.75 million mainly due to the repayment of deposits and amounts owing to related parties;
- (iv) dividend payable of RM8.56 million following the declaration of dividends in respect of the FYE 2023 which was subsequently paid in June 2024;
- (v) increase in deferred tax liabilities by RM4.78 million mainly due to timing differences between accounting profit before taxation and adjusted taxable profit as well as differences between tax capital allowances and accounting depreciation as a result of additions of new assets; and
- (v) decrease in tax payable of RM4.85 million.

Note:

- (1) Total borrowings comprise term loans, lease liabilities and borrowings.

Comparison between 31 December 2023 and 30 June 2024

Our total liabilities increased by RM39.98 million or 15.99% from RM250.03 million as at 31 December 2023 to RM290.01 million as at 30 June 2024. This increase was mainly due to the net effect of the following:

- (i) increase in total borrowings⁽¹⁾ of RM36.14 million due to the effect of the following:
 - (a) increased utilisation of overdraft facilities of RM26.06 million;
 - (b) drawdown of revolving credit facilities of RM24.98 million to finance our Group's working capital;

12. FINANCIAL INFORMATION (CONT'D)

- (c) net repayment of trust receipts of RM9.76 million; and
- (d) repayment of term loan and lease liabilities of RM2.26 million and RM5.06 million, respectively;
- (ii) increase in contract liabilities of RM14.33 million for the Pan Borneo Highway (WP12) Project, Pan Borneo Highway (WP13) Project, Pulau Sebatik Road Project and Kota Belud Road Project mainly due to advances of RM10.00 million received from JKR Sabah for the Pan Borneo Highway (WP12) Project and billing for preliminary expenses for the Pan Borneo Highway (WP13) Project such as project insurances, bank charges and levy fees paid to CIDB;
- (iii) decrease in dividend payable of RM8.56 million; and
- (iv) decrease in trade payables of RM4.06 million.

Note:

- (1) Total borrowings comprise term loans, lease liabilities and borrowings.

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

Our business is financed by a combination of internal and external sources. Internal sources of funds comprise shareholders' funds and cash generated from our operations while external sources are banking facilities from financial institutions.

Our Group recorded net cash used in operating activities of RM51.75 million for the FPE 2024 and negative cash and cash equivalents of RM51.42 million as at 30 June 2024. This was mainly due to the following:

- (i) an increase in contract assets of RM51.62 million mainly due to the works completed by our Group for the Jalan Lintas Upgrading Project and Pan Borneo Highway (WP06) Project which were pending certification from JKR Sabah; and
- (ii) an increase in trade receivables of RM37.68 million due to higher revenues for the FPE 2024 as well as the timing involved in verifying and processing progress claims by the customer before releasing payments.

Nevertheless, as at the LPD, our Board is of the opinion that our Group has sufficient working capital for at least 12 months from the date of this Prospectus after taking into consideration the following:

- (a) our Group has collected RM75.88 million of the trade receivables outstanding as at 30 June 2024. Moving forward, we do not foresee any circumstances which may have an adverse impact on our Group's ability to collect our trade receivables as our clients are Government agencies and as such the credit risk is remote;
- (b) our expected cash flows from operations for the work performed in respect of our ongoing construction projects;

12. FINANCIAL INFORMATION (CONT'D)

- (c) our unutilised overdraft facilities and revolving credit lines of RM120.78 million (of which RM17.18 million is available for general use, while the balance is for project financing). We have continuously rolled over our revolving credit facilities and drawn down on our bank overdrafts for our working capital purposes. For the Period under Review up to the LPD, we have not had difficulty in drawing down the revolving credits and bank overdrafts facilities granted by the banks;
- (d) the reduction in our Group's total borrowings after taking into consideration the repayment of a revolving credit line granted by CIMB Bank Berhad from the proceeds of the Public Issue as further elaborated in Section 4.6.3 of this Prospectus;
- (e) our Group's capital expenditure plans from the LPD until end-2025 to acquire construction machinery and equipment as well as technological upgrades as part of our future plans as further elaborated in Section 7.3(i) of this Prospectus; and
- (f) the estimated gross proceeds from the Public Issue of RM61.46 million of which RM8.00 million has been allocated for capital expenditure while RM28.40 million has been allocated for working capital for our construction projects.

12.4.2 Cash flow

The summary of our Group's cash flow based on our Group's historical combined statements of cash flows for the Period under Review is as follows.

| | Audited | | | Unaudited | Audited |
|---|-----------------|-----------------|-----------------|------------------|-----------------|
| | FYE 2021 | FYE 2022 | FYE 2023 | FPE 2023 | FPE 2024 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Net cash from / (used in) operating activities | 2,297 | 29,423 | 39,802 | 16,698 | (51,750) |
| Net cash (used in) / from investing activities | (18,252) | 9,509 | (7,867) | (5,062) | 2,273 |
| Net cash (used in) / from financing activities | (1,070) | (38,262) | (4,952) | 9,013 | (5,205) |
| Net (decrease) / increase in cash and cash equivalents | (17,025) | 670 | 26,983 | 20,649 | (54,682) |
| Cash and cash equivalents at beginning of the financial year | (7,365) | (24,390) | (23,720) | (23,720) | 3,263 |
| Cash and cash equivalents at end of the financial year⁽¹⁾ | (24,390) | (23,720) | 3,263 | (3,071) | (51,419) |

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

(1) Cash and cash equivalents comprised the following:

| | Audited | | | Unaudited | Audited |
|--|-----------------|-----------------|-----------------|------------------|-----------------|
| | FYE 2021 | FYE 2022 | FYE 2023 | FPE 2023 | FPE 2024 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Cash and bank balances | 9,306 | 17,731 | 29,691 | 6,044 | 1,068 |
| Fixed deposits with licensed banks | 27,714 | 41,289 | 49,274 | 45,378 | 49,627 |
| Bank overdrafts | (29,527) | (41,451) | (26,428) | (9,115) | (52,487) |
| | 7,493 | 17,569 | 52,537 | 42,307 | (1,792) |
| Less: Fixed deposits with initial maturity of more than 3 months | - | (1,000) | (1,394) | (1,000) | (1,423) |
| Less: Fixed deposits pledged with licensed bank | (27,714) | (40,289) | (47,880) | (44,378) | (48,204) |
| Less: Bank balances with restricted usage due to an ongoing litigation | (4,169) | - | - | - | - |
| Cash and cash equivalents at end of the financial year | (24,390) | (23,720) | 3,263 | (3,071) | (51,419) |

There are no legal, financial or economic restrictions on our Subsidiaries' ability to transfer funds to our Company in the form of cash dividends, loans or advances subject to the availability of distributable profits and reserves, and any applicable financial covenants.

Net cash generated from operating activities

For the FYE 2021, our operating cash flow before working capital changes was RM61.23 million. Our net operating cash flow was RM2.30 million after adjusting for the following key working capital changes:

- (i) RM62.90 million increase in trade and other receivables arising from the following:
 - an increase in trade receivables by RM50.58 million, in tandem with the increase in revenue and coupled with the longer time required to process progress claims due to the COVID-19 pandemic; and
 - an increase in other receivables by RM12.75 million due to increase in the recoverable expenses arising from the advances and purchases of construction materials on behalf of our subcontractors which will be offset against future payment to the subcontractors for work done;
- (ii) RM15.69 million increase in contract costs mainly due to an increase in the unutilised materials on site attributable to Jalan UMS Upgrading Project of RM5.39 million and Pan Borneo Highway (WP06) Project of RM10.30 million;
- (iii) RM12.12 million decrease in inventories due to the sale of 5 units of completed industrial properties at our Group's "The Factory @ Inanam" development;

12. FINANCIAL INFORMATION (CONT'D)

- (iv) RM4.22 million net increase in contract liabilities due to the net effect of an increase in contract liabilities of Pan Borneo Highway (WP06) Project by RM8.31 million, decrease in contract liabilities of Jalan Lintas Upgrading Project by RM3.79 million and increase in contract assets by RM0.30 million;
- (v) RM9.00 million increase in trade and other payables due to increase in other payables which was mainly attributable to the security deposits received from related parties of RM7.90 million, namely Sense Power Sdn Bhd and Megaworld Synergy Sdn Bhd in relation to their appointments as subcontractors for our Group's construction projects; and
- (vi) RM5.68 million of income tax payments.

For the FYE 2022, our operating cash flow before working capital changes was RM69.63 million. Our net operating cash flow was RM29.42 million after adjusting for the following key working capital changes:

- (i) RM37.79 million decrease in net contract liabilities due to the net effect of the following:
 - RM18.63 million increase in contract assets attributable to the Jalan UMS Upgrading Project; and
 - RM19.16 million decrease in contract liabilities which was mainly attributable to the net effect of a decrease in contract liabilities of Jalan Lintas Upgrading Project and Pan Borneo Highway (WP06) Project by RM24.81 million and RM18.31 million respectively and the recognition of contract liabilities for the Pulau Sebatik Road Project and Kota Belud Road Project of RM11.23 million and RM12.73 million respectively during the FYE 2022;
- (ii) RM13.59 million decrease in contract costs due to the consumption of materials on site for Jalan UMS Upgrading Project of RM5.77 million and Pan Borneo Highway Project (WP06) of RM7.82 million;
- (iii) RM7.90 million increase in trade and other receivables arising from the increase in other receivables by RM8.21 million which was mainly due to the increase in recoverable expenses arising from the purchases of construction materials on behalf of our subcontractors of RM9.38 million;
- (iv) RM2.24 million increase in trade and other payables due to quicker repayment to our subcontractors;
- (v) RM5.71 million decrease in inventories due to the sale of 2 completed industrial properties at our Group's "The Factory @ Inanam" development; and
- (vi) RM11.59 million of income tax payments.

For the FYE 2023, our operating cash flow before working capital changes was RM57.78 million. Our net operating cash flow was RM39.80 million after adjusting for the following key working capital changes:

- (i) RM63.12 million increase in net contract assets due to the net effect of the following:
 - increase in contract assets by RM56.30 million attributable to the Jalan UMS Upgrading Project, Pan Borneo Highway (WP06) Project and DBKK Sewerage Project; and

12. FINANCIAL INFORMATION (CONT'D)

- decrease in contract liabilities by RM6.82 million mainly attributable to the Pulau Sebatik Road Project and Kota Belud Road Project;
- (ii) RM55.63 million decrease in trade and other receivables arising from the decrease in trade receivables by RM41.12 million following faster collections from our client and decrease in other receivables by RM14.51 million due to the offsetting of the recoverable expenses arising from the advances and purchase of construction raw materials on behalf of our subcontractors and offset against payment to our subcontractors for work done;
- (iii) RM5.65 million decrease in inventories due to the sale of 2 completed industrial properties at our "The Factory @ Inanam" development;
- (iv) RM2.98 million decrease in trade and other payables mainly due to the net effect of an increase in trade payables to third parties of RM5.89 million as well as the repayment of deposits and other amounts owing to a related party amounting to RM7.90 million; and
- (v) RM13.23 million of income tax payments.

For the FPE 2024, our operating cash flow before working capital changes was RM25.11 million. Our net operating cash flow used in operating activities was RM51.75 million after adjusting for the following key working capital changes:

- (i) RM37.29 million increase in contract assets and contract liabilities due to the following:
 - increase in contract assets by RM51.62 million attributable to the Pan Borneo Highway (WP06) Project and Jalan Lintas Upgrading Project pending certification from JKR Sabah for the works completed by our Group, which was partially offset by the decrease in contract assets attributable to Jalan UMS Upgrading Project and DBKK Sewerage Project; and
 - increase in contract liabilities by RM14.33 million mainly attributable to the Pan Borneo Highway (WP12) Project, Pan Borneo Highway (WP13) Project, Pulau Sebatik Road Project and Kota Belud Road Project mainly due to advances of RM10.00 million received from JKR Sabah for the Pan Borneo Highway (WP12) Project and billing for preliminary expenses for the Pan Borneo Highway (WP13) Project such as project insurances, bank charges and levy fees paid to CIDB;
- (ii) RM3.23 million decrease in contract costs due to the consumption of materials on site for Jalan UMS Upgrading Project of RM1.20 million and Pan Borneo Highway Project (WP06) of RM2.87 million, which was offset by the increase in materials on site for Kota Belud Road Project and DBKK Sewerage Project of RM0.67 million and RM0.17 million respectively;
- (iii) RM31.17 million increase in trade and other receivables arising from net effect of the following:
 - an increase in trade receivables by RM37.68 million, in tandem with higher revenue for FPE 2024 coupled with timing involved in verifying and processing progress claims by customer before releasing payments; and

12. FINANCIAL INFORMATION (CONT'D)

- a decrease in other receivables by RM6.51 million mainly due to the offsetting of the recoverable expenses arising from the advances and purchase of construction raw materials on behalf of our subcontractors and offset against payment to our subcontractors for work done.
- (iv) RM6.90 million decrease in trade and other payables mainly due to the net effect of decrease in trade payables to third parties of RM9.73 million and increase in other payables by RM2.85 million primarily attributable to accrued staff costs and project insurance charges; and
- (v) RM4.73 million of income tax payments.

Net cash used in investing activities

For the FYE 2021, we recorded net cash used in investing activities of RM18.25 million mainly due to the net effect of the following:

- (i) RM13.12 million increase in advances to related parties, which includes the following:
- companies in which certain directors have interest of RM2.73 million;
 - a company in which the shareholder is connected to certain directors of RM4.36 million; and
 - directors of RM6.03 million.
- (ii) RM4.36 million paid for the purchase of property, plant and equipment which mainly comprises the purchase of plant, machinery and site equipment of RM2.56 million, purchase of furniture and fittings of RM0.85 million and purchase of motor vehicles of RM0.64 million. We have purchased 16 units of excavators, 3 units of motor graders, 2 units of wheel loaders, 2 units of bulldozers, 2 units of road roller machines and 2 units of light truck for our project use.

For the FYE 2022, we recorded net cash from investing activities of RM9.51 million mainly due to the net effect of the following:

- (i) RM14.71 million from the net repayment of advances to related parties, which includes the following:
- companies in which certain directors have interest of RM11.03 million;
 - a company in which the shareholder is connected to certain directors of RM4.62 million;
 - persons connected to certain directors of RM1.00 million; and
 - advances to directors of RM1.93 million.
- (ii) RM2.61 million used for the purchase of property plant and equipment, which mainly comprised the purchase of motor vehicles of RM2.76 million, site equipment of RM1.10 million, plant and machinery of RM0.56 million and other assets of RM0.63 million, of which RM2.44 million was payable in 2023. We have purchased 5 units of excavators, 5 units of road roller machines, 2 units of wheel loaders, a bulldozer, a backhoe loader, a light truck and 21 units of dump trucks for our project use;
- (iii) RM1.65 million used to part fund the purchase of right of use assets, which mainly comprised motor vehicles, plant and equipment;

12. FINANCIAL INFORMATION (CONT'D)

- (iv) RM1.00 million placed in fixed deposits with licensed banks with initial maturity of more than 3 months; and
- (v) RM0.95 million paid as deposit for the purchase of a property located at Kota Kinabalu, Sabah. This acquisition was completed in May 2023.

For the FYE 2023, we recorded net cash used in investing activities of RM7.87 million, mainly due to the net effect of the following:

- (i) RM13.46 million for the purchase of property, plant and equipment which mainly comprised the purchase of the property located at Kota Kinabalu, Sabah as mentioned above of RM9.76 million, a building of RM1.00 million, plant and machinery of RM0.50 million, site equipment of RM0.26 million, other assets of RM0.33 million as well as right-of-use assets of RM0.56 million. We have purchased an excavator, a motor grader, a bulldozer and a light truck for our project use; and
- (ii) RM5.61 million reduction in advances to related parties.

For the FPE 2024, we recorded net cash from investing activities of RM2.27 million, mainly due to the net effect of the following:

- (i) RM3.53 million from repayments of advances to related parties;
- (ii) RM0.68 million from interest received;
- (iii) RM2.09 million to partly fund the purchase of property, plant and equipment and right of use assets which mainly comprised the purchase of motor vehicles and plant and machinery. We have purchased an asphalt paver, an excavator, a road loader and a light truck for our project use;
- (iv) RM0.18 million from the disposal of right of use assets, which was a motor vehicles; and
- (v) RM0.13 million to partly fund the purchase of right of use assets, which mainly comprised motor vehicles as well as plant and equipment.

Net cash used in financing activities

For the FYE 2021, we recorded net cash used in financing activities of RM1.07 million, mainly due to the net effect of the following:

- (i) RM11.18 million net increase in trust receipts to finance our Group's working capital;
- (ii) RM11.42 million increase in revolving credits drawn down to finance our Group's working capital;
- (iii) RM13.11 million increase in fixed deposits pledged with licensed banks as security for our project financing facilities;
- (iv) RM9.73 million net decrease in lease liabilities;
- (v) RM3.12 million decrease in the outstanding term loans;
- (vi) RM6.32 million used for the payment of interest for the banking facilities obtained by our Group;
- (vii) RM7.85 million advances received from related parties to finance our working capital; and

12. FINANCIAL INFORMATION (CONT'D)

- (viii) RM0.75 million received from the proceeds from the issuance of 750,000 ordinary shares in Kolopis Jaya to Tan Sri Joseph and Datuk Jonathan.

For the FYE 2022, we recorded net cash used in financing activities of RM38.26 million, mainly due to the net effect of the following:

- (i) RM14.22 million net decrease in lease liabilities;
- (ii) RM12.57 million increase in fixed deposits pledged with licensed banks as security for our Group's project financing facilities;
- (iii) RM2.44 million decrease in the outstanding term loans;
- (iv) RM10.31 million used for the payment of interest; and
- (v) RM1.64 million net advances received from related parties to finance our Group's working capital.

For the FYE 2023, we recorded net cash used in financing activities of RM4.95 million, mainly due to the net effect of the following:

- (i) RM9.10 million net increase in trust receipts to fund our Group's working capital;
- (ii) RM7.69 million net increase in term loans arising from the acquisition of property;
- (iii) RM10.00 million increase in revolving credits drawn down to fund our Group's working capital;
- (iv) RM12.49 million net decrease in lease liabilities;
- (v) RM9.28 million used for the payment of interest;
- (vi) RM7.59 million increase in fixed deposits pledged with licensed banks as security for our Group's project financing facilities; and
- (vii) RM2.37 million decrease in the amount due to related parties.

For the FPE 2024, we recorded net cash used in financing activities of RM5.20 million, mainly due to the net effect of the following:

- (i) RM9.76 million net decrease in trust receipts;
- (ii) RM2.27 million decrease in term loans;
- (iii) RM4.62 million net decrease in lease liabilities;
- (iv) RM0.32 million increase in fixed deposits pledged with licensed banks as security for our Group's project financing facilities;
- (v) RM8.56 million dividend paid;
- (vi) RM4.66 million used for the payment of interest; and
- (vii) RM24.98 million increase in revolving credits drawn down to fund our Group's working capital.

12. FINANCIAL INFORMATION (CONT'D)

12.4.3 Borrowings

As at 30 June 2024, our Group's total outstanding bank borrowings was approximately RM178.97 million, all of which were interest-bearing and denominated in RM. The details of our bank borrowings are as follows:

| Type of borrowings | Purpose | Interest rate range for the FPE 2024 (%) | As at 30 June 2024 | | |
|----------------------------------|--|--|--|----------------------------------|----------------|
| | | | On demand or payable within 12 months (RM'000) | Payable after 12 months (RM'000) | Total (RM'000) |
| Term loans | Working capital and finance acquisition of property | 3.50 – 8.35 | 4,859 | 21,428 | 26,287 |
| Revolving credits ⁽¹⁾ | Working capital | 8.09 | 59,981 | - | 59,981 |
| Trust receipts ⁽²⁾ | Working capital | 7.65 – 8.29 | 27,949 | - | 27,949 |
| Bank overdrafts | Working capital | 6.85 – 8.17 | 52,487 | - | 52,487 |
| Hire purchases | Finance acquisition of motor vehicles, plant and machineries as well as site equipment | 3.91 – 5.60 | 7,808 | 4,455 | 12,263 |
| Total borrowings | | | 153,084 | 25,883 | 178,967 |

Notes:

- (1) Revolving credit is restricted to finance contract(s) awarded by the Government of Malaysia or general working capital for the Group.
(2) Trust receipts obtained from the financial institutions can only be used to finance the working capital of respective project.

The maturity profile of our total outstanding borrowings as at 30 June 2024 is as follows:

| Maturity | Amount (RM'000) |
|----------------------------|-----------------|
| On demand or within 1 year | 153,084 |
| 1 to 2 years | 8,381 |
| 2 to 5 years | 9,518 |
| More than 5 years | 7,984 |
| Total | 178,967 |

12. FINANCIAL INFORMATION (CONT'D)

Save for certain lease liabilities owing to non-financial institutions, the above facilities are all secured by all monies facilities agreement, legal charges, joint and several guarantees of our Directors and/or fixed deposits pledged for banking facilities.

As at 1 October 2024, we have received conditional approvals from all of the financial institutions to discharge all guarantees provided by Tan Sri Joseph, Datuk Jonathan, Datuk Jessica and Johannes Lo upon our Listing by substituting the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to them.

We also do not encounter any seasonality in our borrowings trend and there is no material restriction on our committed borrowing facilities. As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. As at the LPD, all of our Group's borrowings were interest bearing borrowings. Our Group has not defaulted on any payment of either principal sums and/ or interest in relation to the borrowings for the Period under Review and up to the LPD.

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

12.4.4 Types of financial instruments used, treasury policies and objectives

The financial instruments of our Group which are used in the ordinary course of business of our Group, from an accounting perspective, may include financial assets such as fixed deposits with licenced banks, cash and bank balances, trade and other receivables excluding prepayment as well as financial liabilities such as trade payables, other payables, lease liabilities and bank borrowings.

Our treasury objective is to maintain sufficient working capital to finance our operations and meet our anticipated commitments arising from operational expenditure and financial liabilities, if any, by maintaining adequate liquidity and credit facilities. We manage our liquidity to ensure access to sufficient funding at acceptable costs to meet our business needs and financial obligations throughout our business cycles.

Our liquidity and funding objectives are designed to meet our funding requirements, which include primarily payment for cost of sales components, wages and salaries, interest and principal payments on outstanding bank borrowings and general obligations such as administrative expenses.

We have historically relied on cash generated from our operating activities, credit extended by our vendors as well as credit lines such as bank overdrafts, revolving credits, trust receipts, hire purchase and term loans. Our funding objective is to obtain the most suitable types of financing and favourable cost of funding as our financing needs arise. Bank borrowings are negotiated with a view to secure the best possible terms and rates of interest.

Our Group is not exposed to foreign currency risk we have neither oversea investment nor business operations. Our receivables and payables are denominated in RM, which is the functional currency of our Group.

As at the LPD, save for the bank overdrafts, revolving credits, trust receipts, hire purchase and term loans as disclosed above, our Group does not use any other financial instruments.

12. FINANCIAL INFORMATION (CONT'D)

12.4.5 Material capital commitment

As at the LPD, we do not have any material commitments (including commitments to be incurred) for capital expenditure which may have a material effect on our financial position.

Further details on utilisation of IPO proceeds are set out in Section 4.6 of this Prospectus, and details on future plans are set out in Section 7.3 of this Prospectus.

Further information on our material capital expenditures and divestitures for the Period under Review and up to the LPD are set out in Section 6.5 of this Prospectus.

12.4.6 Material litigation

Save as disclosed below, as at the LPD, our Group is not engaged in any material litigation, claim and/or arbitration, whether as plaintiff or defendant, which might and adversely affect our business or financial position, and our Directors confirm that there are no legal proceedings, pending or threatened, or of any fact to give rise to any legal proceeding which may materially and adversely affect our business or financial position, in the 12 months immediately preceding the date of this Prospectus.

(i) **High Court in Sabah and Sarawak (“High Court”) Suit No. BKI-22NCvC-72/8-2019: OTA Tunnel Squad Sdn Bhd (“OTA”) (as Plaintiff) vs Pembinaan AJ (as Defendant)**

Pembinaan AJ had vide letters of award dated 11 May 2013 (in respect of tunnelling works) and 18 November 2014 (in respect of mechanical & electrical works) (collectively, the “OTA Sub-Contract Agreements”), appointed OTA as a subcontractor for the Sepanggar Tunnel Project.

It was alleged that the Plaintiff and the Defendant had agreed on the final account statement for the Plaintiff’s final claim in respect of the following works done arising from the respective OTA Sub-Contract Agreements:-

- (a) tunnelling works for the sum of RM11,403,494.87 less the retention sum of RM1,532,425.00; and
- (b) mechanical and electrical works for the sum of RM2,447,794.50 less the retention sum of RM362,500.00.

The Plaintiff further alleged that:-

- (a) pursuant to the OTA Sub-Contract Agreements, the Defendant deducted the sum of RM1,532,245.00 and the sum of RM362,500.00 respectively from payments due to the Plaintiff as retention sums;
- (b) the defect liability period shall be 12 months from the official acceptance and issuance of certificate of practical completion of the tunnelling works and the mechanical & electrical works. In this connection, the defect liability period of the said works expired on 13 June 2016;
- (c) the Defendant, had neglected, failed or refused to release any or all of the aforesaid retention sums upon issue of the certificate of practical completion of the tunnelling works and the mechanical & electrical works on 14 June 2015 and upon expiry date of the defect liability period being 13 June 2016.

12. FINANCIAL INFORMATION (CONT'D)

Premised upon the above, on 18 August 2019, OTA filed a statement of claim against Pembinaan AJ, claiming for RM13,851,289.37, allegedly due and owing, arising from the OTA Sub-Contract Agreements and a total retention sum of RM1,894,925.00. Pembinaan AJ has disputed the above claims from OTA and in turn counterclaims against OTA for agreed liquidated damages in the sum of RM8,107,000.00 ("**Counter Claim**") for delays in the performance of OTA's works.

The trial for this matter was completed on 3 July 2023. On 12 July 2024, the High Court has dismissed the Counter Claim by Pembinaan AJ and awarded the full claim in favour of OTA amounting to approximately RM21.06 million (being the claimed amount of RM15.75 million and an estimated interest of RM5.31 million) ("**Judgment**").

On 12 July 2024, Pembinaan AJ filed an appeal bearing suit no. S-02(NCvC)(W)-1443-08/2024 to the Court of Appeal of Malaysia (Appellate Jurisdiction) against the Judgment ("**Appeal**").

Subsequently on 9 September 2024, Pembinaan AJ and OTA have entered into a settlement agreement ("**Settlement Agreement**") as a form of full and final settlement towards the Judgment and such relevant order for costs, salient terms of which are set out amongst others, as follows:-

- (aa) Pembinaan AJ shall pay a total settlement sum of RM19.00 million only to OTA ("**Settlement Sum**") in accordance with the following payment terms:-
 - (i) RM9.00 million of which, through OTA's solicitors' account by 12 September 2024; and
 - (ii) The following balance of RM10.00 million of which, by way of 5 monthly instalments in equal amount via the issuance of such post-dated cheques dated 15 January 2025, 15 April 2025, 15 July 2025, 15 October 2025 and 15 January 2026, respectively payable to OTA's solicitors' account by 12 September 2024.
- (bb) Pembinaan AJ shall withdraw the Appeal with no liberty to file afresh and shall further withdraw its stay application bearing suit No. BKI-22NCVC-72/8-2019 and restraining order application bearing suit No. BKI-24NCVC-115-7/2024(HC5) at the hearing on 13 September 2024 with no order as to costs;
- (cc) Upon the execution of the Settlement Agreement and pending clearance of the post-dated cheques for the Settlement Sum, OTA shall have no further right to execute or enforce and the Judgment and such relevant order for costs, except in the event of default by Pembinaan AJ; and
- (dd) Upon full payment of the Settlement Sum, the Judgment and such relevant order for costs shall be deemed to have been fully settled by Pembinaan AJ and thereafter, both parties shall fully release and discharge all rights and obligations against each other in respect of the Judgment and such relevant order for costs.

As at the LPD, Pembinaan AJ has complied with the terms of the Settlement Agreement.

12. FINANCIAL INFORMATION (CONT'D)

Following the Settlement Agreement, Pembinaan AJ recognised a total expense amount of RM10.61 million in the FPE 2024 which comprises the following:

- RM7.36 million as cost of sales (being the full claim amount of RM15.75 million less an amount of RM8.38 million previously recognised in the FYE 2016 by Pembinaan AJ as its assessment of the value of work done by OTA) as construction cost; and
- RM3.25 million as interest expenses.

(ii) **High Court Suit No. BKI-22NCvC-2/1-2020 (HC3): Pembinaan AJ (as Plaintiff) vs Malayan Banking Berhad (“MBB”) (as Defendant)**

In 2017, Borneo Highway PDP Sdn Bhd, a project delivery partner appointed by the Federal Government of Malaysia, awarded a construction contract to Pembinaan AJ for the construction of work package 6 of the Pan Borneo Highway. Following this, Pembinaan AJ had on 14 December 2017, entered into a joint arrangement with Kumpulan Liziz Sdn Bhd (“**Liziz**”) to jointly execute the project, pursuant to which Pembinaan AJ was entitled to receive 8% of the contract proceeds and Liziz was entitled to receive 92% of the remaining contract proceeds for works carried out by Liziz (“**Agreed Proportion**”).

Following the above, Liziz secured a financing facility from MBB. As a condition of the financing facility, Pembinaan AJ executed certain security documents dated 4 January 2018 in favour of MBB including, third-party deed of assignment of contract proceeds, notice of assignment cum instruction, irrevocable letter of instruction and power of attorney (collectively, the “**Security Documents**”). The Agreed Proportion was set out in the irrevocable letter of instruction executed by Pembinaan AJ, which forms part of the Security Documents.

Subsequently, Liziz entered into financial difficulties, and on 25 July 2019, terminated the collaboration with Pembinaan AJ following which, Pembinaan AJ took over such works and continued to carry on the construction project. It was agreed between Pembinaan AJ and Liziz pursuant to the said letter dated 25 July 2019, that commencing from Progress Claim No. 17 onwards, the whole of the contract proceeds received from Borneo Highway PDP Sdn Bhd shall belong to Pembinaan AJ (“**Revised Agreed Proportion**”). The Revised Agreed Proportion was also subsequently communicated to MBB by Liziz via a letter of notification dated 23 August 2019. For information, Liziz has been wound up on 20 September 2021.

This construction project was terminated by Borneo Highway PDP Sdn Bhd vide their letter dated 22 July 2019 and was to take effect on 22 September 2019. This project was subsequently re-awarded to Pembinaan AJ by the Ministry of Works, Malaysia as the Pan Borneo Highway (WP06) Project vide their letter of award dated 2 December 2019.

On 9 December 2019, 2 March 2020 and 6 April 2020, Borneo Highway PDP Sdn Bhd made payments to MBB for certain progress claims amounting to RM465,100.00 and RM4,169,170.00 respectively. However, instead of releasing the full sums under these 2 progress claims to Pembinaan AJ in accordance with the Revised Agreed Proportion following the termination of the collaboration with Liziz, MBB had only paid a sum of RM37,208.00 from the payments from Borneo Highway PDP Sdn Bhd to Pembinaan AJ and the remaining sum of RM427,892.00 to Liziz, as per the Agreed Proportion.

12. FINANCIAL INFORMATION (CONT'D)

On 3 January 2020, Pembinaan AJ commenced a civil action against MBB seeking amongst others:

- (i) a declaration that all the Security Documents executed by Pembinaan AJ in favour of MBB shall be null and void and of no effect; and
- (ii) an order that MBB pays to Pembinaan AJ the remaining balance under the progress payments amounting to RM4,597,062.00.

On 16 August 2022, the High Court dismissed the claim of Pembinaan AJ and awarded a cost of RM15,000.00 to MBB after a full trial. MBB had on 17 August 2022, released RM333,533.60 to Pembinaan AJ, in accordance with the terms of the Security Documents and alleged that instead of the full sums claimed by Pembinaan AJ as aforementioned, MBB was only required to pay this amount to Pembinaan AJ.

Following the decision of the High Court, our Group recognised an allowance for expected credit losses of RM4,263,528.40 for the FYE 2022, (being RM4,597,062.00 originally claimed by Pembinaan AJ from MBB less RM333,533.60 released by MBB to Pembinaan AJ) and following which, there is no further exposure to liability in relation to this suit.

(iii) Court of Appeal of Malaysia (“COA”) Suit No. S-02(NCvC)(W)- 1742-09/2022: Pembinaan AJ (as Plaintiff) vs MBB (as Defendant)

On 12 September 2022, Pembinaan AJ filed an appeal to the COA against the decision of the High Court as set out in item (ii) above. As at the LPD, a hearing for this matter has been fixed on 13 November 2024.

There is no exposure to liability as there is no counterclaim filed by MBB, save for order for costs as may be directed by the COA.

12.4.7 Contingent liabilities

As at the LPD, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on our business, financial performance or financial position save for the corporate guarantee provided by Pembinaan AJ in favour of Yun Foh Enterprise (S) Sdn Bhd, Megaworld Synergy Sdn Bhd and Jayawanto Sdn Bhd in respect of banking facilities amounting to RM1.12 million, RM8.00 million and RM1.38 million granted by Public Islamic Bank Berhad to Yun Foh Enterprise (S) Sdn Bhd and United Overseas Bank (M) Bhd. to Megaworld Synergy Sdn Bhd and Jayawanto Sdn Bhd, respectively. As at the LPD, the corporate guarantee granted by Pembinaan AJ for the benefit of Yun Foh Enterprise (S) Sdn Bhd has been discharged whereas in respect of the corporate guarantee provided by Pembinaan AJ for the benefits of Megaworld Synergy Sdn Bhd and Jayawanto Sdn Bhd, both Megaworld Synergy Sdn Bhd and Jayawanto Sdn Bhd have received approvals from the abovementioned relevant financier to discharge the corporate guarantees provided by Pembinaan AJ on a conditional basis, amongst others, upon our Listing.

12. FINANCIAL INFORMATION (CONT'D)**12.5 KEY FINANCIAL RATIOS**

The following table sets out certain key financial ratios of our Group based on the combined financial statements of our Group for the Period under Review:

| | <u>FYE 2021</u> | <u>FYE 2022</u> | <u>FYE 2023</u> | <u>FPE 2024</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| Trade receivables turnover period (days) ⁽¹⁾ | 88 | 105 | 85 | 78 |
| Trade payables turnover period (days) ⁽²⁾ | 76 | 49 | 50 | 44 |
| Current ratio (times) ⁽³⁾ | 1.19 | 1.26 | 1.35 | 1.29 |
| Gearing ratio (times) ⁽⁴⁾ | 2.39 | 1.83 | 1.61 | 1.85 |

Notes:

- (1) Computed based on the average trade receivables (excluding retention sum) as at the beginning and end of the respective financial year / period multiplied by 365 days for the FYEs 2021, 2022 and 2023 and 182 days for the FPE 2024, divided by the total revenue for the respective financial year / period.
- (2) Computed based on the average trade payables (excluding disputed balances attributable to a creditor and retention sum) as at the beginning and end of the respective financial year / period multiplied by 365 days for the FYEs 2021, 2022 and 2023 and 182 days for the FPE 2024, divided by the total cost of sales for the respective financial year / period.
- (3) Computed based on current assets over current liabilities as at the respective financial year end / period.
- (4) Computed based on the total indebtedness over total equity as at the respective financial year end / period.

(i) Trade receivables turnover period

Due to the nature of our business, a performance bond is to be provided in the form of bank guarantee to its clients up to a maximum of 5% of the contract value. Generally, the performance bond will be valid until the end of the project's DLP which ranges between 12 months to 24 months after the issuance of the CPC which signifies the completion of the assigned obligations of our Group and the handing over of the work to the project owner.

Our average trade receivables turnover period for the Period under Review are as follows:

| | <u>FYE 2021</u> | <u>FYE 2022</u> | <u>FYE 2023</u> | <u>FPE 2024</u> |
|---|-----------------|-----------------|-----------------|-----------------|
| | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> |
| Average trade receivables ⁽¹⁾ | 55,635 | 85,789 | 65,319 | 63,597 |
| Revenue | 231,457 | 296,838 | 280,766 | 148,824 |
| Average trade receivables turnover period (days) ⁽²⁾ | 88 | 105 | 85 | 78 |

Notes:

- (1) Computed based on the sum of the closing balance of the previous financial year / period and the closing balance of the current financial year / period (excluding retention sum), divided by 2.

12. FINANCIAL INFORMATION (CONT'D)

- (2) Computed based on average of the trade receivables (excluding retention sum) as at the beginning and end of the respective financial year / period multiplied by 365 days for the FYEs 2021, 2022 and 2023 and 182 days for the FPE 2024, divided by the total revenue for the financial year / period.

Our trade receivables turnover period for the Period under Review ranged from 85 days to 105 days, which were higher than normal credit term granted to our clients of 30 days to 45 days. Typically, there is a gap between the contractual credit terms and the actual collection by us due to JKR Sabah's internal process of work done certification before payments are made. Notwithstanding that some of the outstanding trade receivables are overdue, we assess the collectability based on the nature and creditworthiness of our clients. During the Period under Review, save for the expected credit losses relating to the ongoing litigation between Pembinaan AJ and Malayan Banking Berhad as disclosed in Section 14.6 of this Prospectus, we have not experienced any significant bad debts.

Our trade receivables turnover period increased to 105 days for the FYE 2022 (FYE 2021: 88 days) due to our clients' lengthy internal process of verifying work done certification before payments are made. Our trade receivables turnover period improved to 85 days for the FYE 2023 (FYE 2022: 105 days) and further improved to 79 days for the FPE 2024 mainly due to faster collection from our client.

We use ageing analysis to monitor the credit quality of our trade receivables. In addition, our management assesses our trade receivables individually as to their aging condition and collectability. Among the factors considered in determining whether to provide for impairment losses include, whether there is continuing or on-going projects/ works, subsequent collections, any past provisions and/ or impairments made and/ or letter(s) of demand issued as well as the current industry and economic conditions. Our management will also take necessary actions which include entering into negotiations/ settlement arrangements with the relevant parties to recover the amounts outstanding.

The aging analysis of our trade receivables as at 30 June 2024 and the subsequent collections up to the LPD are as follows:

| As at 30 June 2024 | Within credit period | Past due | | | Total |
|--|-----------------------------|---------------------|----------------------|--------------------|-----------------|
| | | 1 to 30 days | 31 to 90 days | >90 days | |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Gross trade receivables | 58,419 | 14,275 | 8,987 | 5,020 | 86,701 |
| Less: Allowance for expected credit losses | - | - | - | (4,264) | (4,264) |
| Net trade receivables | 58,419 | 14,275 | 8,987 | 756 | 82,437 |
| % of total trade receivables | 70.87% | 17.31% | 10.90% | 0.92% | 100.00% |
| As at the LPD: | | | | | |
| Trade receivables settled | 52,711 | 13,612 | 8,814 | 739 | 75,876 |
| % of total trade receivables | 63.94% | 16.51% | 10.69% | 0.90% | 92.04% |
| Trade receivables outstanding | 5,708 | 663 | 173 | 17 | 6,561 |

As at the LPD, we have collected RM75.88 million or approximately 92.04% of our total trade receivables of RM82.44 million which were outstanding as at 30 June 2024. Our Board is of the opinion that the remaining outstanding trade receivables are recoverable and no provision for impairment is required after taking into consideration our relationship with the client and its historical payment trend.

12. FINANCIAL INFORMATION (CONT'D)**(ii) Trade payables turnover period**

Our average trade payables turnover period for the Period under Review are as follows:

| | <u>FYE 2021</u> | <u>FYE 2022</u> | <u>FYE 2023</u> | <u>FPE 2024</u> |
|--|-----------------|-----------------|-----------------|------------------------|
| | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> |
| Average trade payables ⁽¹⁾ | 33,811 | 27,732 | 27,706 | 25,078 |
| Cost of sales | 161,529 | 206,044 | 203,188 | ⁽²⁾ 102,847 |
| Average trade payables turnover period (days) ⁽³⁾ | 76 | 49 | 50 | 44 |

Notes:

- (1) Computed based on the sum of the closing balance of the previous financial year / period and the closing balance of the current financial year / period (excluding disputed balances attributable to a creditor and retention sum), divided by 2.
- (2) Excluded RM7.36 million, being the full claim amount of RM15.75 million less an amount of RM8.38 million previously recognised in the FYE 2016 by Pembinaan AJ as its assessment of the value of work done by OTA in relation to OTA Settlement.
- (3) Calculated based on the average of the trade payables (excluding disputed balances attributable to a creditor and retention sum) as at the beginning and end of the respective financial year / period multiplied by 365 days for the FYEs 2021, 2022 and 2023 and 182 days for the FPE 2024, divided by the total cost of sales for the financial year / period.

Our trade payables turnover period is computed after excluding disputed balances attributable to a creditor (if any) and retention sum. We are entitled to retain part of our subcontractors' billings as retention sum, and we generally release half of the retention sum to our subcontractors upon the issuance of CPC, while the remaining half will be released after the end of the DLP. The normal credit term extended by our suppliers and subcontractors to us ranges from 30 days to 60 days.

For the Period under Review, an amount of RM8.38 million was excluded from the computation of trade payables turnover period for the FYEs 2021, 2022 and 2023 as this amount is related to a past dispute between our Group and OTA as disclosed in Section 12.4.6(i) of this Prospectus. Further to the OTA Settlement, an amount of RM19.00 million (being the settlement sum agreed to be paid by Pembinaan AJ to OTA) was recognised in our trade payables as at 30 June 2024, however this amount was also excluded from the computation of trade payables turnover period as the amount remained in dispute as at 30 June 2024 as the settlement between our Group and OTA was only reached on 9 September 2024.

Our Group's trade payables turnover period improved from 76 days for the FYE 2021 to 49 days for the FYE 2022 due to prompt payment to our suppliers and subcontractors. Our Group's trade payables turnover period remained relatively unchanged at 50 days for the FYE 2023 and improved to 44 days for the FPE 2024.

12. FINANCIAL INFORMATION (CONT'D)

The aging analysis of our trade payables as at 30 June 2024 and the subsequent payments up to the LPD are as follows:

| As at 30 June 2024 | Within credit period | Past due | | | Total |
|-----------------------------------|-----------------------------|---------------------|----------------------|-----------------------|-----------------|
| | | 0 to 30 days | 31 to 90 days | >90 days | |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Trade payables | 34,957 ⁽¹⁾ | 5,122 | 5,251 | 12,045 ⁽¹⁾ | 57,375 |
| % of total trade payables | 60.93% | 8.93% | 9.15% | 20.99% | 100.00% |
| As at the LPD: | | | | | |
| Trade payables settled | 5,635 | 4,788 | 4,663 | 10,351 | 25,437 |
| % of total trade payables | 9.82% | 8.35% | 8.13% | 18.04% | 44.34% |
| Trade payables outstanding | 29,322 | 334 | 588 | 1,694 | 31,938 |

Note:

(1) Inclusive of the following:

- (i) retention sums of RM18.33 million which will be payable upon the completion of respective project; and
- (ii) the settlement sum agreed to be paid by Pembinaan AJ to OTA pursuant to the OTA Settlement of RM19.00 million, of which RM8.38 million is past due more than 90 days while the balance RM10.62 million is within the credit period.

As at the LPD, we have paid RM25.44 million or approximately 44.34% of our trade payables of RM57.38 million which were outstanding as at 30 June 2024. For the Period under Review, save for the ongoing litigation with OTA as mentioned above, there was no matter in dispute with respect to trade payables, or legal action initiated by any of our suppliers and/or subcontractors to demand for payment.

(iii) Current ratio

The table below sets forth a summary of our Group's current ratio for the Period under Review:

| | As at 31 December | | | As at 30 |
|--------------------------------------|--------------------------|-----------------|-----------------|------------------|
| | 2021 | 2022 | 2023 | June 2024 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Current assets | 250,399 | 255,709 | 249,808 | 298,252 |
| Current liabilities | 210,894 | 202,974 | 185,055 | 231,632 |
| Net current assets | 39,505 | 52,735 | 64,753 | 66,620 |
| Current ratio (times) ⁽¹⁾ | 1.19 | 1.26 | 1.35 | 1.29 |

Note:

(1) Computed based on current assets divided by current liabilities as at the end of the financial year / period.

12. FINANCIAL INFORMATION (CONT'D)

As at 31 December 2022, our current ratio increased to 1.26 times (31 December 2021: 1.19 times) mainly due to the increase in fixed deposits with licensed banks and cash and bank balances of RM22.00 million or 59.43% to RM59.02 million (31 December 2021: RM37.02 million) and decrease in contract liabilities attributed to the recognition of project advances received for the Jalan Lintas Upgrading Project and Pan Borneo Highway (WP06) Project as revenue.

As at 31 December 2023, our current ratio increased to 1.35 times (31 December 2022: 1.26 times) mainly due to the decrease in contract liabilities by RM15.48 million or 46.17% to RM18.05 million (31 December 2022: RM33.53 million) attributed to the recognition of project advances received for the Pan Borneo Highway (WP06) Project, Kota Belud Road Project and Pulau Sebatik Road Project as revenue as well as the decrease in other payables and accruals due to repayment of deposits to our subcontractors amounting to RM7.90 million.

As at 30 June 2024, our current ratio decreased to 1.29 times (31 December 2023: 1.35 times) mainly due to the increase in short-term borrowings by RM41.46 million or 39.93% to RM145.28 million (31 December 2023: RM103.82 million) as well as decrease in cash and bank balances by RM28.62 million or 96.40% to RM1.07 million (31 December 2023: RM29.69 million).

(iv) Gearing ratio

The table below sets forth a summary of our Group's gearing ratio for the Period under Review:

| | As at 31 December | | | As at 30 |
|-----------------------|-------------------|----------|----------|-----------|
| | 2021 | 2022 | 2023 | June 2024 |
| | (RM'000) | (RM'000) | (RM'000) | (RM'000) |
| Total borrowings | 130,348 | 139,539 | 143,024 | 178,967 |
| Total equity | 54,551 | 76,265 | 88,749 | 96,571 |
| Gearing ratio (times) | 2.39 | 1.83 | 1.61 | 1.85 |

Our gearing ratio decreased from 2.39 times as at 31 December 2021 to 1.83 times as at 31 December 2022 notwithstanding an increase in our borrowings by RM9.19 million or 7.05% to RM139.54 million as at 31 December 2022 (31 December 2021: RM130.35 million), mainly due to an increase in retained earnings by RM21.69 million or 46.00% to RM68.84 million as at 31 December 2022 (31 December 2021: RM47.15 million).

Our gearing ratio further decreased from 1.83 times as at 31 December 2022 to 1.61 times as at 31 December 2023 notwithstanding an increase in our borrowings by RM3.48 million or 2.50% to RM143.02 million as at 31 December 2023 (31 December 2022: RM139.54 million), mainly due to an increase in retained earnings by RM13.11 million or 19.04% to RM81.95 million as at 31 December 2023 (31 December 2022: RM 68.84 million).

As at 30 June 2024, our gearing ratio increased from 1.61 times as at 31 December 2023 to 1.85 times as at 30 June 2024. This was mainly due to an increase in our borrowings by RM35.95 million or 25.14% to RM178.97 million as at 30 June 2024 (31 December 2023: RM143.02 million) to fund our working capital.

12. FINANCIAL INFORMATION (CONT'D)

12.6 ACCOUNTING POLICIES AND AUDIT QUALIFICATION

There are no accounting policies which are peculiar to our Group because of the nature of the business and industry which we are involved in. For further details on the accounting policies of our Group, see Note 2.3 of the Accountants' Report as set out in Section 13 of this Prospectus. The Accountants' Report did not contain any audit qualification for the Period under Review.

12.7 TREND ANALYSIS

Save as disclosed in this Section and in Sections 7 and 8 of this Prospectus, to the best of our Board's knowledge and belief, there are no other known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the financial condition and results of operations of our Group.

12.8 IMPACT OF FOREIGN EXCHANGE RATES

For the Period under Review, we were not materially affected by the impact of fluctuation in exchange rates as all of our revenue and purchases are mainly transacted in RM.

12.9 IMPACT OF COMMODITY PRICES

We are not directly affected by the fluctuation of commodity prices for the Period under Review.

12.10 IMPACT OF INTEREST RATES

We do not generally hedge interest rate risks. Our interest coverage ratio for the Period under Review of more than 5 times indicates that we were able to meet our interest serving obligations. Our Group's financial results for the Period under Review were not materially affected by fluctuations in interest rates. A 50 basis point increase in interest rates based on currently observable market environment with all other variables held constant, shows a decrease of approximately RM394,000 (FYE 2023: RM275,000; FYE 2022: RM312,000; FYE 2021: RM264,000) on our Group's profitability before tax for the FPE 2024. A 50 basis point decrease in interest rates would result in an equivalent, but opposite impact on our Group's profitability before tax.

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12. FINANCIAL INFORMATION (CONT'D)**12.11 ORDER BOOK**

As at the LPD, our order book, as represented by the unbilled contract value of our ongoing projects, stood at approximately RM1.45 billion as follows:

| Project | Total contract value | ⁽¹⁾Outstanding order book as at the LPD | |
|--|-----------------------------|---|---------------|
| | (RM'000) | (RM'000) | (%) |
| Jalan Lintas Upgrading Project | 293,003 | 2,490 | 0.17 |
| Jalan UMS Upgrading Project | 356,891 | 11,451 | 0.79 |
| Pan Borneo Highway (WP06) Project | 832,085 | 206,790 | 14.26 |
| Pulau Sebatik Road Project | 56,188 | 41,938 | 2.89 |
| Kota Belud Road Project ⁽²⁾ | 60,179 | 39,588 | 2.73 |
| DBKK Sewerage Project | 20,315 | 14,466 | 1.00 |
| Pan Borneo Highway (WP12) Project | 316,500 | 304,792 | 21.02 |
| Pan Borneo Highway (WP13) Project ⁽²⁾ | 366,128 | 350,115 | 24.15 |
| Pan Borneo Highway (WP26) Project ⁽²⁾ | 478,149 | 478,149 | 32.98 |
| Total | | 1,449,779 | 100.00 |

Notes:

- (1) Computed based on total contract value less total work done claim.
- (2) These projects were awarded to our construction partner and we were brought on via joint arrangements to jointly execute the projects. The total contract value represents our share of the contract sum.

This outstanding order book comprises contracts awarded by the Ministry of Works, Malaysia or JKR Sabah and is expected to be recognised in the FYE 2024 to FYE 2028.

Please refer to Section 7.4.1 of this Prospectus for further details of our ongoing projects as at the LPD. The amount awarded for the construction contracts may be varied from the final works to be performed resulting from, amongst others, variation orders received from the project owner due to changes in the project requirements that may take place during the implementation of the respective projects.

12.12 SIGNIFICANT CHANGES

There are no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to FYE 2023 up to the LPD.

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12. FINANCIAL INFORMATION (CONT'D)**12.13 DIVIDEND POLICY**

Our Group's dividend history for the Period under Review and the corresponding dividend payout ratios are as follows:

| | <u>FYE 2021</u> | <u>FYE 2022</u> | <u>FYE 2023</u> | <u>FPE 2024</u> |
|--|-----------------|-----------------|-----------------|-----------------|
| | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> | <u>(RM'000)</u> |
| Dividends declared | (1)7,000 | (1)10,000 | (2)13,000 | - |
| Dividends paid | (1)7,000 | (1)10,000 | (2)4,440 | (2)8,560 |
| PAT attributable to owners of the Group | 34,143 | 31,691 | 25,983 | 7,822 |
| Dividend payout ratio ⁽³⁾ (%) | 20.50 | 31.55 | 50.03 | - |

Notes:

- (1) Kolopis Jaya and AJ Properties, prior to the completion of the Acquisition of Kolopis Jaya and Acquisition of AJ Properties, declared first single tier interim dividends for the FYE 2021 and FYE 2022 amounting to RM7.00 million and RM10.00 million, respectively which were fully set off against amounts owing by Tan Sri Joseph, Datuk Jonathan and a related company in which Tan Sri Joseph and Datuk Jonathan have an interest in the same financial years.
- (2) Pembinaan AJ and AJ Properties, prior to the completion of the Acquisition of Pembinaan AJ and Acquisition of AJ Properties, declared first single tier interim dividends for the FYE 2023 amounting to RM8.00 million and RM5.00 million, respectively. An amount of approximately RM4.44 million has been set off against amount owing by Tan Sri Joseph to our Group in the FYE 2023 whilst the balance of approximately RM8.56 million were paid in June 2024 via internally-generated funds of our Group.
- (3) Dividend payout ratio is computed as dividends declared in respect of the financial year divided by the PAT for the same financial year.

Save for the above, we do not have any intention to declare any further dividends prior to our Listing. No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future. There is no dividend restriction imposed on our Group as at the LPD.

As we are a holding company, our income and ability to pay dividends are dependent upon the dividends received from our Subsidiaries. The payment of dividends by our Subsidiaries is dependent upon their respective financial condition, anticipated capital expenditure requirement, business expansion plans, availability of distributable reserves and other relevant factors.

We target a payout ratio of at least 30% of our net profit attributable to the owners of the Company for each financial year on a consolidated basis after taking into account working capital, maintenance capital and committed capital requirements of our Group. The declaration and payments of any dividend is subject to the confirmation of our Board as well as any applicable law, licence conditions and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

12. FINANCIAL INFORMATION (CONT'D)

In addition to the factors above which may affect the ability of our Subsidiaries to distribute dividends to us, our Board may recommend or declare the actual dividends in respect of any particular financial year or period subject to the factors outlined below:

- (i) our results of operations and cash flow;
- (ii) our expected financial performance and working capital needs;
- (iii) our capital expenditures and other investment plans;
- (iv) any material impact of tax laws and regulatory requirements;
- (v) any restrictive covenant contained in our current and future financing requirements; and
- (vi) the general economic and business conditions and other factors deemed relevant by our Board.

The level of dividends declared in the past should also not be treated as an indication of our future dividend pay-out.

You should take note that this dividend policy merely describes our present intention and shall not constitute a legally binding obligation on our Company or legally binding statement in respect of our future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion.

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12. FINANCIAL INFORMATION (CONT'D)**12.14 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION****Russell Bedford LC PLT**

(LLP0030621-LCA & AF1237)

Chartered Accountants**羅瑞貝德特許會計師事務所**

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W: www.russellbedford.com.my

Date: 30 September 2024

The Board of Directors

AZAM JAYA BERHAD

No. 7, Jalan Kolam Centre 1

Hilltop

88300 Kota Kinabalu, Sabah

Dear Sirs

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 OF AZAM JAYA BERHAD

We have completed our assurance engagement to report on the compilation of pro forma combined statements of financial position of Azam Jaya Berhad ("Azam Jaya" or the "Company") and its combining entities, Pembinaan Azam Jaya Sdn Bhd, Azam Jaya Land Sdn Bhd, Azam Jaya Properties Sdn Bhd and Kolopis Jaya Sdn Bhd (collectively referred to as the "Group") for which the Directors of the Company are solely responsible.

The pro forma combined statements of financial position consist of the pro forma combined statements of financial position as at 30 June 2024 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Directors of the Company have compiled the pro forma combined statements of financial position are as described in Note 2 to the pro forma combined statements of financial position and in accordance with the requirements of the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia ("Prospectus Guidelines") and Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants ("Guidance Note") ("Applicable Criteria").

The pro forma combined statements of financial position of the Group have been compiled by the Directors of the Company, for illustrative purposes only, solely to illustrate the impact of the events or transactions as set out in notes thereon to the pro forma combined statements of financial position as if the events have occurred or the transactions have been effected on 30 June 2024. As part of this process, information about the Group's pro forma combined statements of financial position have been extracted by the Directors of the Company from the Group's audited combined statements of financial position as at 30 June 2024, set out in the Accountants' Report of the Company.

Responsibilities of the directors for the pro forma combined statements of financial position

The Directors of the Company are responsible for compiling the pro forma combined statements of financial position based on the Applicable Criteria.

Reporting accountants' quality management and independence

We are independent of the Group in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA 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 MIA By-Laws and the IESBA Code.

Our firm applies the International Standard on Quality Management 1, Quality Management for Firms that Performs Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

12. FINANCIAL INFORMATION (CONT'D)**Responsibilities of reporting accountants**

Our responsibility is to express an opinion, on whether the pro forma combined statements of financial position have been compiled, in all material respects, by the Directors of the Company on the basis of the Applicable Criteria.

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

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

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

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors of the Company in the compilation of the pro forma combined statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

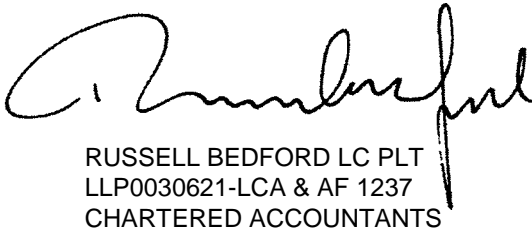
12. FINANCIAL INFORMATION (CONT'D)**Opinion**

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

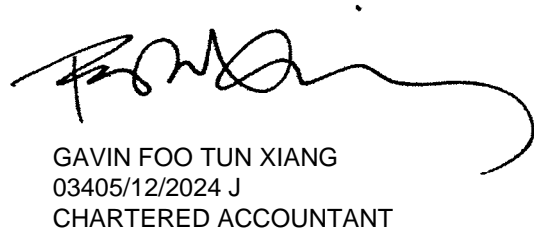
Restriction on distribution and use

This report is made solely for the inclusion in the prospectus to be issued in connection with the admission of Azam Jaya to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad and for no other purposes and should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully



RUSSELL BEDFORD LC PLT
LLP0030621-LCA & AF 1237
CHARTERED ACCOUNTANTS



GAVIN FOO TUN XIANG
03405/12/2024 J
CHARTERED ACCOUNTANT

Kuala Lumpur

12. FINANCIAL INFORMATION (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024**

| | Note | Audited as at 30 June 2024 RM | Pro Forma I After Acquisition and Share Split RM | Pro Forma II After Pro Forma I and the Proposed IPO RM | Pro Forma III After Pro Forma II and the utilisation of proceeds RM |
|---|------|-------------------------------------|---|--|---|
| Non current assets | | | | | |
| Property, plant and equipment | | 58,895,412 | 58,895,412 | 58,895,412 | 58,895,412 |
| Right of use assets | | 23,058,493 | 23,058,493 | 23,058,493 | 23,058,493 |
| Investment property | | 1,669,165 | 1,669,165 | 1,669,165 | 1,669,165 |
| Inventories | | 3,210,118 | 3,210,118 | 3,210,118 | 3,210,118 |
| Trade receivables | | 1,500,000 | 1,500,000 | 1,500,000 | 1,500,000 |
| | | 88,333,188 | 88,333,188 | 88,333,188 | 88,333,188 |
| Current assets | | | | | |
| Inventories | | 9,280,011 | 9,280,011 | 9,280,011 | 9,280,011 |
| Trade receivables | | 80,936,394 | 80,936,394 | 80,936,394 | 80,936,394 |
| Other receivables, deposits and prepayments | | 23,677,830 | 23,677,830 | 23,677,830 | 23,677,830 |
| Contract assets | | 129,259,378 | 129,259,378 | 129,259,378 | 129,259,378 |
| Contract costs | | 3,148,196 | 3,148,196 | 3,148,196 | 3,148,196 |
| Tax recoverable | | 1,254,774 | 1,254,774 | 1,254,774 | 1,254,774 |
| Fixed deposits with licensed banks | | 49,626,832 | 49,626,832 | 49,626,832 | 49,626,832 |
| Cash and bank balances | 5(a) | 1,068,145 | 1,068,145 | 62,532,145 | 38,791,702 |
| | | 298,251,560 | 298,251,560 | 359,715,560 | 335,975,117 |
| Total assets | | 386,584,748 | 386,584,748 | 448,048,748 | 424,308,305 |

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Chartered Accountants

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12. FINANCIAL INFORMATION (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024 (continued)**

| | Note | Audited as at 30 June 2024 RM | Pro Forma I After Acquisition and Share Split RM | Pro Forma II After Pro Forma I and the Proposed IPO RM | Pro Forma III After Pro Forma II and the utilisation of proceeds RM |
|-------------------------------------|------|-------------------------------------|---|--|---|
| Equity | | | | | |
| Share capital | 5(b) | 2 | 71,669,805 | 133,133,805 | 131,555,865 |
| Invested equity | 5(c) | 6,800,000 | - | - | - |
| Merger reserve | 5(d) | - | (64,869,803) | (64,869,803) | (64,869,803) |
| Retained profits | 5(e) | 89,771,008 | 89,771,008 | 89,771,008 | 87,608,505 |
| Total equity | | 96,571,010 | 96,571,010 | 158,035,010 | 154,294,567 |
| Non current liabilities | | | | | |
| Term loans | | 21,428,250 | 21,428,250 | 21,428,250 | 21,428,250 |
| Lease liabilities | | 4,865,552 | 4,865,552 | 4,865,552 | 4,865,552 |
| Deferred tax liabilities | | 13,010,715 | 13,010,715 | 13,010,715 | 13,010,715 |
| Trade payables | | 19,077,740 | 19,077,740 | 19,077,740 | 19,077,740 |
| | | 58,382,257 | 58,382,257 | 58,382,257 | 58,382,257 |
| Current liabilities | | | | | |
| Trade payables | | 38,296,921 | 38,296,921 | 38,296,921 | 38,296,921 |
| Other payables and accruals | | 5,891,172 | 5,891,172 | 5,891,172 | 5,891,172 |
| Contract liabilities | | 32,375,759 | 32,375,759 | 32,375,759 | 32,375,759 |
| Borrowings | | 145,275,782 | 145,275,782 | 145,275,782 | 125,275,782 |
| Lease liabilities | 5(f) | 8,081,021 | 8,081,021 | 8,081,021 | 8,081,021 |
| Tax payable | | 1,710,826 | 1,710,826 | 1,710,826 | 1,710,826 |
| | | 231,631,481 | 231,631,481 | 231,631,481 | 211,631,481 |
| Total liabilities | | 290,013,738 | 290,013,738 | 290,013,738 | 270,013,738 |
| Total equity and liabilities | | 386,584,748 | 386,584,748 | 448,048,748 | 424,308,305 |

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Chartered Accountants

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12. FINANCIAL INFORMATION (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024 (continued)**

| | Audited as at 30 June 2024 | Pro Forma I After Acquisition and Share Split | Pro Forma II After Pro Forma I and the Proposed IPO | Pro Forma III After Pro Forma II and the utilisation of proceeds |
|-------------------------------------|-------------------------------|---|--|---|
| Number of ordinary shares in issue | 2 | 421,200,000 | 500,000,000 | 500,000,000 |
| Net assets (RM) | 96,571,010 | 96,571,010 | 158,035,010 | 154,294,567 |
| Net assets per ordinary shares (RM) | 48,285.505 | 0.23 | 0.32 | 0.31 |
| Gearing ratio (times)* | 1.85 | 1.85 | 1.13 | 1.03 |

* Gearing ratio is computed based on total borrowings, excluding other lease liabilities, divided by net assets.

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12. FINANCIAL INFORMATION (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

**NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT
30 JUNE 2024**

1. Introduction

The pro forma combined statements of financial position of Azam Jaya Berhad (“Azam Jaya” or the “Company”) and its combining entities, Pembinaan Azam Jaya Sdn Bhd, Azam Jaya Land Sdn Bhd, Azam Jaya Properties Sdn Bhd and Kolopis Jaya Sdn Bhd (collectively referred to as the “Group”) have been compiled by the Directors of the Company, for illustrative purpose only, for inclusion in the prospectus of Azam Jaya in connection with the listing and quotation of the entire enlarged issued share capital of RM131,555,865 comprising 500,000,000 ordinary shares in Azam Jaya on the Main Market of Bursa Malaysia Securities Berhad.

2. Basis of preparation of the Pro Forma Combined Statements of Financial Position

The applicable criteria on the basis of which the Directors of the Company have compiled the pro forma combined statements of financial position are as described below. The pro forma combined statements of financial position are prepared in accordance with the requirements of the Prospectus Guidelines as issued by the Securities Commission Malaysia and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The pro forma combined statements of financial position have been prepared based on the audited combined statements of financial position of the Group as at 30 June 2024, which is prepared in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the Accountants’ Report and accounting policies of the Group. The Accountants’ Report used in the preparation of the pro forma combined statements of financial position were not subject to any audit qualification.

The pro forma combined statements of financial position are presented in Ringgit Malaysia (“RM”).

The pro forma combined statements of financial position together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 3 to the pro forma combined statements of financial position had the events or transactions been undertaken on 30 June 2024. The pro forma combined statements of financial position are not necessary indicative of the financial position that would have been attained had the admission of Azam Jaya to the official list of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) and the listing of and quotation for the entire enlarged issued share capital of the Company in the Main Market of Bursa Malaysia (“Listing”) actually occurred at the respective dates. Further, such information does not purport to predict the future financial position of the Group. Material and appropriate adjustments have been made in preparation of the pro forma combined statements of financial position of the Company.

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12. FINANCIAL INFORMATION (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**2.1 Merger accounting**

The subsidiaries are accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory.

Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve.

Acquisition of entities under common control does not result in any changes in economic substance. Accordingly, the Group is a continuation of the acquired entities and is accounted for as follows:

- the assets and liabilities of the acquired entities are recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained profits and other equity balances of acquired entities immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the difference arising from the change in equity structure of the Group will be accounted for in merger reserve.

3. Listing scheme

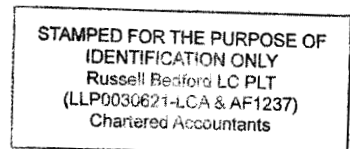
The following proposals were undertaken in conjunction with, and as an integral part of the listing.

3.1 Acquisition of subsidiaries (the "Acquisition") and Share Split**3.1.1 Acquisition of Pembinaan Azam Jaya Sdn Bhd ("PAJ")**

On 5 June 2024, the Company had entered into a conditional share sale agreement with the shareholders of PAJ to acquire the entire equity interest in PAJ comprising 5,000,000 ordinary shares for a total purchase consideration of RM49,705,340. The purchase consideration is to be satisfied by the issuance of 49,705,340 new ordinary shares in Azam Jaya ("Azam Jaya Shares") to parties nominated by the shareholders of Azam Jaya at an issue price of RM1.00 per share. The Acquisition was completed on 30 September 2024 upon satisfying of the conditions precedent in the share sale agreement.

3.1.2 Acquisition of Azam Jaya Properties Sdn Bhd ("AJP")

On 5 June 2024, the Company had entered into a conditional share sale agreement with the shareholders of AJP to acquire the entire equity interest in AJP comprising 800,000 ordinary shares for a total purchase consideration of RM12,039,034. The purchase consideration is to be satisfied by the issuance of 12,039,034 new ordinary shares in Azam Jaya to parties nominated by the shareholders of Azam Jaya at an issue price of RM1.00 per share. The Acquisition was completed on 30 September 2024 upon satisfying of the conditions precedent in the share sale agreement.



12. FINANCIAL INFORMATION (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

3.1.3 Acquisition of Kolopis Jaya Sdn Bhd (“KJ”)

On 5 June 2024, the Company had entered into a conditional share sale agreement with the shareholders of KJ to acquire the entire equity interest in KJ comprising 1,000,000 ordinary shares for a total purchase consideration of RM9,925,429. The purchase consideration is to be satisfied by the issuance of 9,925,429 new ordinary shares in Azam Jaya to parties nominated by the shareholders of Azam Jaya at an issue price of RM1.00 per share. The Acquisition was completed on 30 September 2024 upon satisfying of the conditions precedent in the share sale agreement.

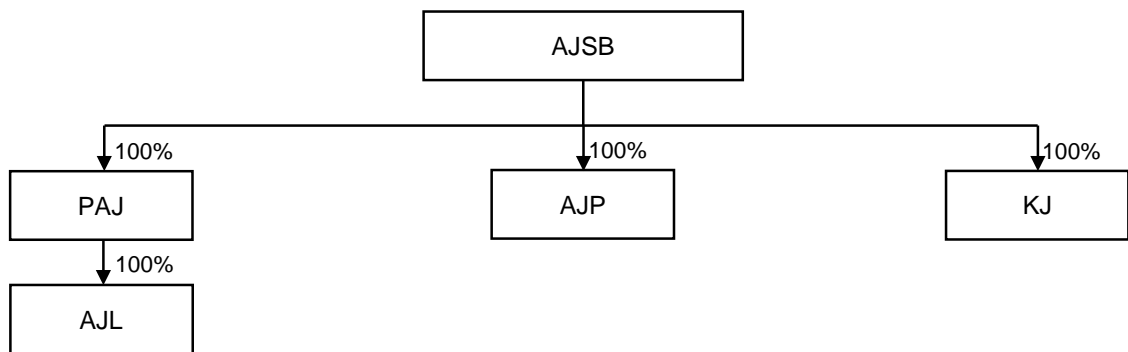
Following the completion of the Acquisition, PAJ, AJP and KJ became wholly owned subsidiaries of the Company.

3.1.4 Share split

Arising from the completion of the Acquisition above, the Company’s issued share capital increased from RM2 comprising 2 shares to RM71,669,605 comprising 71,669,805 shares.

On 30 September 2024, Azam Jaya undertook a subdivision of its 71,669,805 Azam Jaya Shares into 421,200,000 Azam Jaya Shares on the basis of every 1 existing Azam Jaya Share subdivided into 5.877 Azam Jaya Shares.

The corporate structure of Azam Jaya and its subsidiaries (following the completion of the Acquisition and Share Split) is as follows:



As disclosed in Note 2.1, the Group has applied the merger method of accounting for the acquisition of the combining entities. Under the merger method of accounting, the difference between the cost of investment recorded by the Company (i.e. the consideration paid for the Acquisition) and the share capital of subsidiaries are accounted for as merger reserve as follows:

| | |
|---|-------------------|
| | RM |
| Consideration paid for the Acquisition | 71,669,803 |
| Less: Issued and paid-up share capital of subsidiaries as at 30 June 2024 | (6,800,000) |
| Merger reserve | <u>64,869,803</u> |

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12. FINANCIAL INFORMATION (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**3.2 Initial Public Offering (“IPO”)****(a) Public Issue**

The public issue of 78,800,000 new Azam Jaya Shares, representing 15.76% of the enlarged share capital of the Company at an issue price of RM0.78 per Azam Jaya Share, to be allocated in the following manner:

- (i) 25,000,000 new Azam Jaya Shares available for application by the Malaysian Public via balloting;
- (ii) 10,000,000 new Azam Jaya Shares to Eligible Person; and
- (iii) 43,800,000 Azam Jaya Shares by way of private placement to institutional and selected investors.

(b) Offer for Sale

Offer for sale of 50,000,000 existing Azam Jaya Shares (“Offer Shares”), representing 10% of the enlarged share capital of the Company at an issue price of RM0.78 per Offer Share, by way of private placement to selected investors.

(c) Listing

Subsequent to the above, the Company’s entire enlarged share capital of RM131,555,865 comprising 500,000,000 ordinary shares will be listed on the Main Market of Bursa Malaysia Securities Berhad.

4. Pro forma adjustments to the Pro Forma Combined Statements of Financial Position as at 30 June 2024

The pro forma combined statements of financial position of the Group as at 30 June 2024 has been prepared solely for illustrative purposes only to show the effects of the following transactions based on the assumptions that they had been effected on 30 June 2024.

4.1 Pro Forma I

Pro Forma I incorporates the effect of the Acquisition and Share Split of Azam Jaya as set out in Note 3.1 above.

4.2 Pro Forma II

Pro Forma II incorporates the effects of the Pro Forma I and the effects of the public issue as set out in Note 3.2(a) above.

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12. FINANCIAL INFORMATION (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**4.3 Pro Forma III**

Pro Forma III incorporates the cumulative effects of Pro Forma II and utilisation of the proceeds from the public issue as set out in Note 3.2(a) above. The proceeds from the public issue will be utilised in the following manner:

| Purpose | Estimated timeframe for utilisation upon listing | Amount of proceeds | |
|--|---|---------------------------|----------|
| | | RM | % |
| Enhancing the Group's construction capabilities ⁽¹⁾ | Within 36 months | 8,000,000 | 13.01 |
| Working capital for construction projects | Within 12 months | 28,400,000 | 46.21 |
| Repayment of bank borrowings ⁽²⁾ | Within 6 months | 20,000,000 | 32.54 |
| Estimated listing expenses ⁽³⁾ | Within 3 months | 5,064,000 | 8.24 |
| | | 61,464,000 | 100.00 |

Notes:

- (1) As at the latest practicable date, the Group has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the capital expenditure in enhancing the Group's construction capabilities. Accordingly, the utilisation of the proceeds earmarked for the aforementioned purposes are not reflected in the pro forma combined statements of financial position.
- (2) Based on the prospectus, the IPO proceeds earmarked for the repayment of bank borrowings will be used for the repayment of the outstanding borrowings of the Group.
- (3) The estimated listing expenses of RM1,577,940 directly attributable to issuance of new shares and will be off set against share capital and the remaining estimated listing expense of RM3,486,060 that is attributable to the listing will be expensed off to the profit or loss. As of 30 June 2024, RM1,323,557 has been paid and charged to profit or loss account of the Group.

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12. FINANCIAL INFORMATION (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**5. Effects on the Pro Forma Combined Statements of Financial Position****(a) Cash and bank balances**

| | RM |
|---|--------------|
| At 30 June 2024/ As per Pro Forma I | 1,068,145 |
| Arising from IPO | 61,464,000 |
| As per Pro Forma II | 62,532,145 |
| Arising from defrayment of estimated listing expenses | (3,740,443) |
| Arising from repayment of borrowings | (20,000,000) |
| As per Pro Forma III | 38,791,702 |

(b) Share capital

| | No. of shares | RM |
|---|----------------------|-------------|
| At 30 June 2024 | 2 | 2 |
| Arising from Acquisition and Share Split | 421,199,998 | 71,669,803 |
| As per Pro Forma I | 421,200,000 | 71,669,805 |
| Arising from IPO | 78,800,000 | 61,464,000 |
| As per Pro Forma II | 500,000,000 | 133,133,805 |
| Arising from defrayment of estimated listing expenses | - | (1,577,940) |
| As per Pro Forma III | 500,000,000 | 131,555,865 |

(c) Invested equity

| | No. of shares | RM |
|--|----------------------|-------------|
| At 30 June 2024 | 6,800,000 | 6,800,000 |
| Arising from Acquisition and Share Split | (6,800,000) | (6,800,000) |
| As per Pro Forma I, II and III | - | - |

(d) Merger reserve

| | RM |
|--|--------------|
| At 30 June 2024 | - |
| Arising from Acquisition and Share Split | (64,869,803) |
| As per Pro Forma I, II and III | (64,869,803) |

(e) Retained earnings

| | RM |
|---|-------------|
| At 30 June 2024/ As per Pro Forma I and II | 89,771,008 |
| Arising from defrayment of estimated listing expenses | (2,162,503) |
| As per Pro Forma III | 87,608,505 |

(f) Borrowings

| | RM |
|--|--------------|
| At 30 June 2024/ As per Pro Forma I and II | 145,275,782 |
| Arising from repayments of borrowings | (20,000,000) |
| As per Pro Forma III | 125,275,782 |

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Chartered Accountants

12. FINANCIAL INFORMATION (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of the Company in accordance with a resolution dated
30 SEP 2024

On behalf of the Board of Directors



DATUK JONATHAN LO CHAW LOONG, JP



DATUK LO VUN CHE @ JESSICA

13. ACCOUNTANTS' REPORT**Russell Bedford LC PLT**

(LLP0030621-LCA & AF1237)

Chartered Accountants**羅瑞貝德特許會計師事務所**

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KL Eco City

59200 Kuala Lumpur

Malaysia

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E: mail@russellbedford.com.my

W: www.russellbedford.com.my

Date: 30 September 2024

The Board of Directors

AZAM JAYA BERHAD

No. 7, Jalan Kolam Centre 1

Hilltop

88300 Kota Kinabalu, Sabah

Dear Sirs

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF AZAM JAYA BERHAD**Opinion**

We have audited the combined financial statements of Azam Jaya Berhad ("Azam Jaya" or "the Company") and its combining entities (collectively known as the "Group"), which comprises the combined statements of financial position as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years/period ended on 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, and notes to the combined financial statements, including a summary of significant accounting policies.

The combined financial statements of the Group have been prepared for inclusion in the prospectus of the Company in connection with the listing of and quotation for the entire enlarged share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). This report is prepared for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of the Group as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, and of their combined financial performance and combined cash flows for the financial years/period ended on 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024 in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

Basis for opinion

We conducted our audit in accordance with the Approved Standards on Auditing in Malaysia and the International Standards on Auditing. Our responsibilities under those standards are further described in the Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements section of our reporting accountants' report.

We are independent of the Group in accordance with the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("MIA 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 MIA By-Laws and the IESBA Code.

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

13. ACCOUNTANTS' REPORT (CONT'D)**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 the International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the combined financial statements 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 intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Reporting accountants' responsibilities for the audit of the combined financial statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Approved Standards on Auditing in Malaysia and the 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 the combined financial statements.

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

- Identify and assess the risks of material misstatement of the combined financial statements, 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 director's 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 accountants' report to the related disclosures in the combined financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' 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 (continued)**

- Evaluate the overall presentation, structure and content of the combined financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

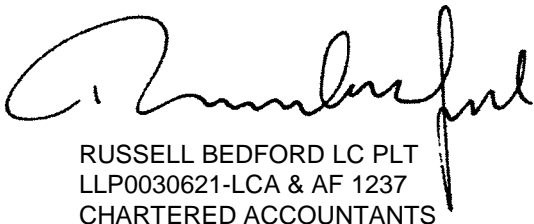
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other matters

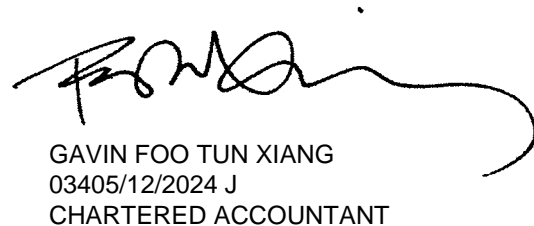
The comparative information in respect of the combined statements of comprehensive income and combined statements of cash flows and related notes to the combined financial statements of the Group for the 6 months financial period ended 30 June 2023 has not been audited.

Restriction on distribution and use

This report is made solely for inclusion in the prospectus to be issued in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Securities 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.



RUSSELL BEDFORD LC PLT
LLP0030621-LCA & AF 1237
CHARTERED ACCOUNTANTS



GAVIN FOO TUN XIANG
03405/12/2024 J
CHARTERED ACCOUNTANT

Kuala Lumpur

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

| | | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|--|------|---|---|---|--|--|
| | Note | | | | | |
| Revenue | 4 | 231,457,020 | 296,838,548 | 280,766,072 | 127,158,161 | 148,823,476 |
| Cost of sales | 5 | (161,528,793) | (206,044,416) | (203,187,686) | (94,437,854) | (110,212,528) |
| Gross profit | | 69,928,227 | 90,794,132 | 77,578,386 | 32,720,307 | 38,610,948 |
| Other operating income | | 1,773,905 | 1,331,961 | 1,141,385 | 380,573 | 826,119 |
| Administrative expenses | | (19,494,828) | (32,010,942) | (31,735,202) | (17,438,128) | (19,618,043) |
| Allowance for expected credit losses | | - | (4,263,528) | - | - | - |
| Profit from operations | 7 | 52,207,304 | 55,851,623 | 46,984,569 | 15,662,752 | 19,819,024 |
| Finance income | 8 | 137,993 | 448,077 | 865,835 | 382,222 | 682,656 |
| Finance costs | 9 | (6,318,199) | (10,314,928) | (9,284,086) | (4,078,856) | (7,909,532) |
| Net finance costs | | (6,180,206) | (9,866,851) | (8,418,251) | (3,696,634) | (7,226,876) |
| Profit before tax | | 46,027,098 | 45,984,772 | 38,566,318 | 11,966,118 | 12,592,148 |
| Income tax expense | 10 | (11,837,256) | (14,270,279) | (12,582,712) | (5,147,812) | (4,769,892) |
| Net profit/Total comprehensive income for the year/period | | <u>34,189,842</u> | <u>31,714,493</u> | <u>25,983,606</u> | <u>6,818,306</u> | <u>7,822,256</u> |
| Net profit/Total comprehensive income attributable to: | | | | | | |
| Owners of the Company | | 34,142,511 | 31,691,083 | 25,983,606 | 6,818,306 | 7,822,256 |
| Non-controlling Interests | | 47,331 | 23,410 | - | - | - |
| | | <u>34,189,842</u> | <u>31,714,493</u> | <u>25,983,606</u> | <u>6,818,306</u> | <u>7,822,256</u> |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION

| | Note | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|---|------|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| Non current assets | | | | | |
| Property, plant and equipment | 11 | 33,379,279 | 36,613,821 | 53,125,089 | 58,895,412 |
| Right of use assets | 12 | 34,644,940 | 40,201,828 | 29,450,710 | 23,058,493 |
| Investment property | 13 | - | 1,724,700 | 1,687,677 | 1,669,165 |
| Inventories | 15 | 3,092,919 | 3,147,892 | 3,210,118 | 3,210,118 |
| Deferred tax assets | 16 | - | 37,700 | - | - |
| Trade receivables | 17 | - | - | 1,500,000 | 1,500,000 |
| | | <u>71,117,138</u> | <u>81,725,941</u> | <u>88,973,594</u> | <u>88,333,188</u> |
| Current assets | | | | | |
| Inventories | 15 | 20,760,243 | 14,992,429 | 9,280,011 | 9,280,011 |
| Trade receivables | 17 | 86,288,656 | 85,881,438 | 43,256,931 | 80,936,394 |
| Other receivables, deposits and prepayments | 18 | 74,918,770 | 59,367,826 | 33,712,417 | 23,677,830 |
| Contract assets | 19 | 11,376,830 | 30,007,655 | 77,639,053 | 129,259,378 |
| Contract costs | 20 | 20,033,099 | 6,439,703 | 6,377,339 | 3,148,196 |
| Tax recoverable | | - | - | 576,643 | 1,254,774 |
| Fixed deposits with licensed banks | 21 | 27,713,863 | 41,288,553 | 49,274,321 | 49,626,832 |
| Cash and bank balances | 22 | 9,306,762 | 17,731,466 | 29,690,892 | 1,068,145 |
| | | <u>250,398,223</u> | <u>255,709,070</u> | <u>249,807,607</u> | <u>298,251,560</u> |
| Total assets | | <u><u>321,515,361</u></u> | <u><u>337,435,011</u></u> | <u><u>338,781,201</u></u> | <u><u>386,584,748</u></u> |
| Equity | | | | | |
| Invested equity | 23 | 6,800,002 | 6,800,002 | 6,800,002 | 6,800,002 |
| Retained profits | | 47,151,063 | 68,842,146 | 81,948,752 | 89,771,008 |
| Equity attributable to owners of the Group | | <u>53,951,065</u> | <u>75,642,148</u> | <u>88,748,754</u> | <u>96,571,010</u> |
| Non-controlling interests | | 599,590 | 623,000 | - | - |
| Total equity | | <u>54,550,655</u> | <u>76,265,148</u> | <u>88,748,754</u> | <u>96,571,010</u> |
| Non current liabilities | | | | | |
| Term loans | 24 | 19,540,575 | 16,202,600 | 23,872,216 | 21,428,250 |
| Lease liabilities | 25 | 11,889,774 | 10,760,258 | 6,337,632 | 4,865,552 |
| Deferred tax liabilities | 16 | 2,201,191 | 5,883,000 | 10,621,500 | 13,010,715 |
| Trade payables | 26 | 22,439,350 | 25,349,896 | 24,146,658 | 19,077,740 |
| | | <u>56,070,890</u> | <u>58,195,754</u> | <u>64,978,006</u> | <u>58,382,257</u> |
| Current liabilities | | | | | |
| Trade payables | 26 | 38,541,470 | 33,684,078 | 37,289,571 | 38,296,921 |
| Other payables and accruals | 27 | 10,441,633 | 14,225,600 | 4,476,067 | 5,891,172 |
| Dividend payable | | - | - | 8,557,000 | - |
| Contract liabilities | 19 | 52,689,826 | 33,533,436 | 18,045,580 | 32,375,759 |
| Borrowings | 28 | 87,259,269 | 99,728,582 | 103,820,849 | 145,275,782 |
| Lease liabilities | 25 | 12,771,836 | 13,572,631 | 9,482,323 | 8,081,021 |
| Tax payable | | 9,189,782 | 8,229,782 | 3,383,051 | 1,710,826 |
| | | <u>210,893,816</u> | <u>202,974,109</u> | <u>185,054,441</u> | <u>231,631,481</u> |
| Total liabilities | | <u>266,964,706</u> | <u>261,169,863</u> | <u>250,032,447</u> | <u>290,013,738</u> |
| Total equity and liabilities | | <u><u>321,515,361</u></u> | <u><u>337,435,011</u></u> | <u><u>338,781,201</u></u> | <u><u>386,584,748</u></u> |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY

| | Invested equity RM | Retained profits RM | Equity attributable to owners of the Group RM | Non- controlling interests RM | Total equity RM |
|--|--------------------------|---------------------------|---|--|-----------------------|
| At 1 January 2021 | 6,050,002 | 20,008,552 | 26,058,554 | 552,259 | 26,610,813 |
| Transactions with owners: | | | | | |
| - Issuance of shares | 750,000 | - | 750,000 | - | 750,000 |
| - Dividends (Note 36) | - | (7,000,000) | (7,000,000) | - | (7,000,000) |
| Total transactions with owners | 750,000 | (7,000,000) | (6,250,000) | - | (6,250,000) |
| Net profit/Total comprehensive income for the year | | 34,142,511 | 34,142,511 | 47,331 | 34,189,842 |
| At 31 December 2021 | 6,800,002 | 47,151,063 | 53,951,065 | 599,590 | 54,550,655 |
| Transactions with owners: | | | | | |
| - Dividends (Note 36) | - | (10,000,000) | (10,000,000) | - | (10,000,000) |
| Net profit/Total comprehensive income for the year | | 31,691,083 | 31,691,083 | 23,410 | 31,714,493 |
| At 31 December 2022 | 6,800,002 | 68,842,146 | 75,642,148 | 623,000 | 76,265,148 |
| Transactions with owners: | | | | | |
| - Acquisition of non-controlling interests | - | 123,000 | 123,000 | (623,000) | (500,000) |
| - Dividends (Note 36) | - | (13,000,000) | (13,000,000) | - | (13,000,000) |
| Total transactions with owners | | (12,877,000) | (12,877,000) | (623,000) | (13,500,000) |
| Net profit/Total comprehensive income for the year | | 25,983,606 | 25,983,606 | - | 25,983,606 |
| At 31 December 2023 | 6,800,002 | 81,948,752 | 88,748,754 | - | 88,748,754 |
| Net profit/Total comprehensive income for the period | | 7,822,256 | 7,822,256 | - | 7,822,256 |
| At 30 June 2024 | 6,800,002 | 89,771,008 | 96,571,010 | - | 96,571,010 |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)

| Unaudited | Invested equity RM | Retained profits RM | Equity attributable to owners of the Group RM | Non- controlling interests RM | Total equity RM |
|--|-----------------------------------|------------------------------------|--|--|--------------------------------|
| At 1 January 2023 | 6,800,002 | 68,842,146 | 75,642,148 | 623,000 | 76,265,148 |
| Transactions with owners: | | | | | |
| - Acquisition of non-controlling interests | - | 123,000 | 123,000 | (623,000) | (500,000) |
| Net profit/Total comprehensive income for the period | - | 6,818,306 | 6,818,306 | - | 6,818,306 |
| At 30 June 2023 | <u>6,800,002</u> | <u>75,783,452</u> | <u>82,583,454</u> | <u>-</u> | <u>82,583,454</u> |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|--|---|---|---|--|--|
| Cash flows from/(used in) operating activities | | | | | |
| Profit before tax | 46,027,098 | 45,984,772 | 38,566,318 | 11,966,118 | 12,592,148 |
| Adjustments for: | | | | | |
| Allowance for expected credit loss | - | 4,263,528 | - | - | - |
| Bad debts written off | - | - | 139,882 | 139,882 | - |
| Depreciation | 9,022,469 | 9,819,816 | 10,624,505 | 5,608,994 | 5,362,430 |
| Gain on disposals of | | | | | |
| - plant and equipment | - | (295,000) | (1,414) | (1,314) | - |
| - right of use assets | - | (50,000) | - | - | (68,917) |
| Gain on derecognition of lease | - | - | (21,597) | - | - |
| Interest expense | 6,318,199 | 10,314,928 | 9,284,086 | 4,078,856 | 7,909,532 |
| Interest income | (137,993) | (448,077) | (865,835) | (382,222) | (682,656) |
| Plant and equipment written off | - | 39,094 | 55,229 | - | - |
| Operating profit before working capital changes | 61,229,773 | 69,629,061 | 57,781,174 | 21,410,314 | 25,112,537 |
| Changes in inventories | 12,121,478 | 5,712,841 | 5,650,192 | 2,944,930 | - |
| Changes in contract assets/liabilities – net | 4,216,664 | (37,787,215) | (63,119,254) | (31,817,079) | (37,290,146) |
| (Increase)/Decrease in contract costs | (15,692,932) | 13,593,396 | 62,364 | (537,337) | 3,229,143 |
| (Increase)/Decrease in trade and other receivables | (62,903,090) | (7,901,000) | 55,634,697 | 21,086,720 | (31,171,446) |
| Increase/(Decrease) in trade and other payables | 9,004,128 | (2,238,425) | (2,977,333) | 10,135,531 | (6,899,549) |
| Cash generated from/(used in) operations | 7,976,021 | 41,008,658 | 53,031,840 | 23,223,079 | (47,019,461) |
| Income tax paid | (5,678,561) | (11,586,170) | (13,229,886) | (6,524,567) | (4,731,033) |
| Net cash from/(used in) operating activities | 2,297,460 | 29,422,488 | 39,801,954 | 16,698,512 | (51,750,494) |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**COMBINED STATEMENTS OF CASH FLOWS (continued)**

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|--|---|---|---|--|--|
| Cash flows from/(used in) investing activities | | | | | |
| Interest received | 137,993 | 448,077 | 865,835 | 382,222 | 682,656 |
| (Advances to)/Repayments from | | | | | |
| - companies in which certain directors have interest | (2,728,660) | 11,026,387 | 8,126,137 | 8,841,228 | 3,526,570 |
| - a company in which the shareholder is connected to certain directors | (4,357,617) | 4,617,617 | - | - | - |
| - directors | (6,035,443) | (1,929,200) | (2,513,800) | - | - |
| - persons connected to certain directors | 520 | 1,000,000 | - | - | - |
| Acquisition of shares from non controlling interest | - | - | (500,000) | - | - |
| Deposits paid for acquisition of land and building | - | (950,000) | - | (7,180,800) | - |
| Purchase of plant and equipment | (4,358,182) | (2,608,670) | (12,895,531) | (6,679,348) | (1,957,739) |
| Purchase of right of use assets | (910,418) | (1,653,446) | (561,769) | (431,904) | (128,598) |
| Proceeds from disposal of | | | | | |
| - plant and equipment | - | 373,315 | 5,850 | 5,750 | - |
| - right of use assets | - | 185,000 | - | - | 180,000 |
| Increase in fixed deposits with initial maturity of more than 3 months | - | (1,000,000) | (393,756) | - | (29,080) |
| Net cash (used in)/from investing activities | (18,251,807) | 9,509,080 | (7,867,034) | (5,062,852) | 2,273,809 |
| Cash flows from/(used in) financing activities | | | | | |
| Interest paid | (6,318,199) | (10,314,928) | (9,284,086) | (4,078,856) | (4,655,746) |
| Dividend paid | - | - | - | - | (8,557,000) |
| Increase in fixed deposits pledged | (13,112,657) | (12,574,690) | (7,592,012) | (4,089,557) | (323,431) |
| Advances from/(Repayments to) | | | | | |
| - companies in which certain directors have interest | 3,200,000 | 1,500,000 | (1,500,000) | 4,218,958 | - |
| - a company in which the shareholder is connected to certain directors | 123,861 | (147,914) | - | - | - |
| - directors | 4,529,295 | 285,460 | (868,245) | 2,300,000 | - |
| Proceeds from issuance of shares | 750,000 | - | - | - | - |
| Proceeds from | | | | | |
| - lease liabilities | 1,720,000 | 572,040 | 2,482,100 | 2,482,100 | 442,000 |
| - term loans | 500,000 | - | 11,700,000 | 6,000,000 | - |
| - trust receipts | 95,722,535 | 103,182,832 | 134,307,800 | 54,638,437 | 65,777,150 |
| - revolving credits | 11,422,738 | - | 10,000,000 | 10,000,000 | 24,980,687 |
| Repayments of | | | | | |
| - lease liabilities | (11,450,074) | (14,789,000) | (14,975,134) | (8,034,213) | (5,062,852) |
| - term loans | (3,617,263) | (2,435,840) | (4,010,068) | (1,831,907) | (2,264,320) |
| - trust receipts | (84,540,800) | (103,539,998) | (125,212,210) | (52,591,796) | (75,541,440) |
| Net cash (used in)/from financing activities | (1,070,564) | (38,262,038) | (4,951,855) | 9,013,166 | (5,204,952) |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**COMBINED STATEMENTS OF CASH FLOWS** (continued)

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|--|---|---|---|--|--|
| Net (decrease)/increase in cash and cash equivalents | (17,024,911) | 669,530 | 26,983,065 | 20,648,826 | (54,681,637) |
| Cash and cash equivalents at beginning of year/period | (7,364,682) | (24,389,593) | (23,720,063) | (23,720,063) | 3,263,002 |
| Cash and cash equivalents at end of year/period | <u>(24,389,593)</u> | <u>(23,720,063)</u> | <u>3,263,002</u> | <u>(3,071,237)</u> | <u>(51,418,635)</u> |
| Cash and cash equivalents comprise: | | | | | |
| Cash and bank balances | 9,306,762 | 17,731,466 | 29,690,892 | 6,044,211 | 1,068,145 |
| Fixed deposits with licensed banks | 27,713,863 | 41,288,553 | 49,274,321 | 45,378,110 | 49,626,832 |
| Bank overdrafts | (29,527,185) | (41,451,529) | (26,427,890) | (9,115,448) | (52,486,780) |
| | 7,493,440 | 17,568,490 | 52,537,323 | 42,306,873 | (1,791,803) |
| Less: | | | | | |
| - Fixed deposits with initial maturity of more than 3 months | - | (1,000,000) | (1,393,756) | (1,000,000) | (1,422,836) |
| - Fixed deposits pledged with licensed bank | (27,713,863) | (40,288,553) | (47,880,565) | (44,378,110) | (48,203,996) |
| - Bank balances with restricted usage due to an ongoing litigation | (4,169,170) | - | - | - | - |
| | <u>(31,883,033)</u> | <u>(41,288,553)</u> | <u>(49,274,321)</u> | <u>(45,378,110)</u> | <u>(49,626,832)</u> |
| | <u>(24,389,593)</u> | <u>(23,720,063)</u> | <u>3,263,002</u> | <u>(3,071,237)</u> | <u>(51,418,635)</u> |

Reconciliation of liabilities arising from financing activities

| Audited | 1.1.2021 RM | Cash flows RM | Non cash changes RM | 31.12.2021 RM |
|--|------------------------|------------------------------|------------------------------------|--------------------------|
| Amount due to | | | | |
| - directors | 25,470,705 | 4,529,295 | (29,417,215) | 582,785 |
| - a company in which the shareholder is connected to certain directors | 24,053 | 123,861 | - | 147,914 |
| - companies in which certain directors have interest | - | 3,200,000 | (3,200,000) | - |
| Lease liabilities | | | | |
| - hire purchase | 20,979,824 | (9,193,076) | 11,761,800 | 23,548,548 |
| - others | 1,381,386 | (536,998) | 268,674 | 1,113,062 |
| Borrowings | | | | |
| - revolving credits | 13,577,262 | 11,422,738 | - | 25,000,000 |
| - trust receipts | 17,793,276 | 11,181,735 | - | 28,975,011 |
| - term loans | 26,414,911 | (3,117,263) | - | 23,297,648 |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**COMBINED STATEMENTS OF CASH FLOWS** (continued)**Reconciliation of liabilities arising from financing activities** (continued)

| Audited | 1.1.2022 | Cash flows | Non cash changes | 31.12.2022 |
|--|-----------------|-------------------|-------------------------|-------------------|
| | RM | RM | RM | RM |
| Amount due to | | | | |
| - directors | 582,785 | 285,460 | - | 868,245 |
| - a company in which the shareholder is connected to certain directors | 147,914 | (147,914) | - | - |
| - companies in which certain directors have interest | - | 1,500,000 | - | 1,500,000 |
| Lease liabilities | | | | |
| - hire purchase | 23,548,548 | (13,667,601) | 13,726,545 | 23,607,492 |
| - others | 1,113,062 | (549,359) | 161,694 | 725,397 |
| Borrowings | | | | |
| - revolving credits | 25,000,000 | - | - | 25,000,000 |
| - trust receipts | 28,975,011 | (357,166) | - | 28,617,845 |
| - term loans | 23,297,648 | (2,435,840) | - | 20,861,808 |
| Audited | 1.1.2023 | Cash flows | Non cash changes | 31.12.2023 |
| | RM | RM | RM | RM |
| Amount due to | | | | |
| - directors | 868,245 | (868,245) | - | - |
| - companies in which certain directors have interest | 1,500,000 | (1,500,000) | - | - |
| Lease liabilities | | | | |
| - hire purchase | 23,607,492 | (12,131,904) | 3,855,800 | 15,331,388 |
| - others | 725,397 | (361,130) | 124,300 | 488,567 |
| Borrowings | | | | |
| - revolving credits | 25,000,000 | 10,000,000 | - | 35,000,000 |
| - trust receipts | 28,617,845 | 9,095,590 | - | 37,713,435 |
| - term loans | 20,861,808 | 7,689,932 | - | 28,551,740 |
| Unaudited | 1.1.2023 | Cash flows | Non cash changes | 30.6.2023 |
| | RM | RM | RM | RM |
| Amount due to | | | | |
| - directors | 868,245 | 2,300,000 | 100,000 | 3,268,245 |
| - companies in which certain directors have interest | 1,500,000 | 4,218,958 | - | 5,718,958 |
| Lease liabilities | | | | |
| - hire purchase | 23,607,492 | (5,289,268) | 2,716,998 | 21,035,222 |
| - others | 725,397 | (262,845) | 638,372 | 1,100,924 |
| Borrowings | | | | |
| - revolving credits | 25,000,000 | 10,000,000 | - | 35,000,000 |
| - trust receipts | 28,617,845 | 2,046,641 | - | 30,664,486 |
| - term loans | 20,861,808 | 4,168,093 | - | 25,029,901 |
| Audited | 1.1.2024 | Cash flows | Non cash changes | 30.6.2024 |
| | RM | RM | RM | RM |
| Lease liabilities | | | | |
| - hire purchase | 15,331,388 | (4,468,377) | 1,399,500 | 12,262,511 |
| - others | 488,567 | (152,475) | 347,970 | 684,062 |
| Borrowings | | | | |
| - revolving credits | 35,000,000 | 24,980,687 | - | 59,980,687 |
| - trust receipts | 37,713,435 | (9,764,290) | - | 27,949,145 |
| - term loans | 28,551,740 | (2,264,320) | - | 26,287,420 |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS**1. General information**

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 Azam Jaya Berhad ("Company" or "Azam Jaya") 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 ("Bursa Securities") via an initial public offering ("IPO").

1.1 Background

The Company was incorporated in Malaysia under the Companies Act 2016 on 16 June 2022 as a private limited company. The registered office is located at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan. The principal place of business of Azam Jaya is located at No.7, Jalan Kolam Centre 1, Hilltop, 88300 Kota Kinabalu, Sabah.

The principal activity of Azam Jaya is that of investment holding.

1.2 Principal activities

Details of the combining entities of the Company during the financial years/period covered in the report are as follows:

| Company | Date and place of incorporation | Effective equity interest | | Principal activities |
|--------------------------------------|---------------------------------|--------------------------------------|----------------------------------|---|
| | | 31 December 2021 31 December 2022 | 31 December 2023 30 June 2024 | |
| Pembinaan Azam Jaya Sdn Bhd ("PAJ") | 14 October 1987 Malaysia | 100% | 100% | Investment holding, undertaking construction work and road work under contracts |
| Azam Jaya Properties Sdn Bhd ("AJP") | 7 February 2012 Malaysia | 100% | 100% | Construction and civil engineering work |
| Kolopis Jaya Sdn Bhd ("KJ") | 25 March 2019 Malaysia | 100% | 100% | Construction of motorways, streets, roads, other vehicular and pedestrian ways |
| <u>Subsidiary of PAJ</u> | | | | |
| Azam Jaya Land Sdn Bhd ("AJL") | 23 July 2001 Malaysia | 98.36% | 100% | Construction work under contracts |

The above will be collectively known as "Azam Jaya Group" or "Group".

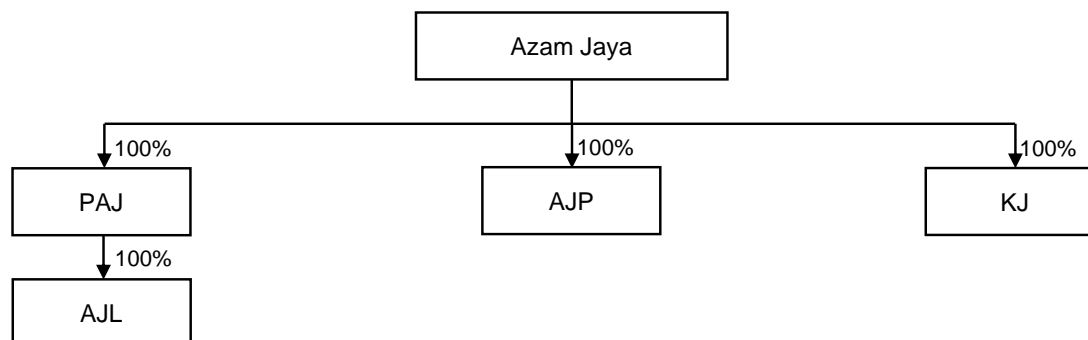
13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD (Incorporated in Malaysia)

1.3 Acquisition

The Company will acquire the entire equity interest in each of the entities in Note 1.2 which are under the common control of Tan Sri Datuk Seri Panglima Joseph Lo @ Lo Tain Foh ("Tan Sri Joseph") and Datuk Jonathan Lo Chaw Loong, JP ("Datuk Jonathan").

Upon the completion of the acquisition, the group structure of Azam Jaya will be as follows:



The Group is regarded as a continuing entity resulting from the acquisition since the management of all the entities who took major part in the acquisition were controlled by certain directors and substantially under the same major shareholders before and immediately after the acquisition. Consequently, immediately after the acquisition, there is a continuation of control over the entities' financial and operating policy decisions and risks and benefits to the ultimate shareholders that existed prior to the acquisition. The acquisition has been accounted for as an acquisition under common control in a manner similar to pooling of interests. Accordingly, the combined financial statements for the financial years/period ended 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024 comprise the financial statements of the combining entities which were under common control of the ultimate shareholders that existed prior to the acquisition during the relevant periods or since their respective dates of incorporation.

The acquisitions were completed on 30 September 2024 as disclosed in Note 37(i).

2. Basis of preparation of the combined financial statements

2.1 Statement of compliance

The financial statements have been prepared and presented in accordance with the Malaysian Financial Reporting Standards ("MFRS").

The financial statements also comply with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board.

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**

(Incorporated in Malaysia)

2.2 Basis of preparation and accounting

The combined financial statements of the Group reflect the financial information of the following entities under common control and have been prepared based on the financial statements for the financial years/period ended 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024 (collectively referred to as "relevant financial years/period").

| Company | Relevant financial years/periods ("FYE"/"FPE") | Accounting standards applied | Auditors |
|--------------------------|---|-------------------------------------|------------------------|
| Azam Jaya | FPE from 16 June 2022 (date of incorporation) to 31 December 2022 | MFRS | Russell Bedford LC PLT |
| | FYE 31 December 2023 | MFRS | Russell Bedford LC PLT |
| | FPE 1 January 2024 to 30 June 2024 | MFRS | Russell Bedford LC PLT |
| PAJ | FYE 31 December 2021 | MFRS | Russell Bedford LC PLT |
| | FYE 31 December 2022 | MFRS | Russell Bedford LC PLT |
| | FYE 31 December 2023 | MFRS | Russell Bedford LC PLT |
| | FPE 1 January 2024 to 30 June 2024 | MFRS | Russell Bedford LC PLT |
| AJP | FYE 31 December 2021 | MFRS | Russell Bedford LC PLT |
| | FYE 31 December 2022 | MFRS | Russell Bedford LC PLT |
| | FYE 31 December 2023 | MFRS | Russell Bedford LC PLT |
| | FPE 1 January 2024 to 30 June 2024 | MFRS | Russell Bedford LC PLT |
| KJ | FYE 30 June 2021 (#) | MPERS | PKF |
| | FPE from 1 July 2021 to 31 December 2022 (#) | MFRS | Russell Bedford LC PLT |
| | FYE 31 December 2023 | MFRS | Russell Bedford LC PLT |
| | FPE 1 January 2024 to 30 June 2024 | MFRS | Russell Bedford LC PLT |
| Subsidiary of PAJ | | | |
| AJL | FYE 31 December 2021 | MFRS | Russell Bedford LC PLT |
| | FYE 31 December 2022 | MFRS | Russell Bedford LC PLT |
| | FYE 31 December 2023 | MFRS | Russell Bedford LC PLT |
| | FPE 1 January 2024 to 30 June 2024 | MFRS | Russell Bedford LC PLT |

Malaysian Private Entities Reporting Standard ("MPERS")

The financial statements of KJ for the financial years ended 31 December 2021 and 2022, have been re-prepared by the management in accordance with MFRS and IFRS for inclusion in these combined financial statements and re-audited by Russell Bedford LC PLT.

The audited financial statements of all entities within the Group for the relevant financial years/periods were not subject to any qualification or modification.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

2.2 Basis of preparation and accounting (continued)

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

The combined financial statements of the Group for the relevant financial periods 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 financial years or the dates of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substances of the combining entities, which were under common control throughout the relevant financial periods.

The identified 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.

The Group has adopted the new and revised Malaysian Financial Reporting Standards ("MFRSs") and their related IC Interpretations that become mandatory for the current reporting period. The adoption of these new and revised MFRSs and IC Interpretations does not result in significant changes in accounting policies of the Group.

The amendments to MFRS 101 Disclosure of Accounting Policies became effective for application during the financial year ended 31 December 2023. The amendments replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments have an impact on the manner in which the Group's accounting policies are disclosed, but not on the measurement, recognition or presentation of any components in the Group's combined financial statements.

The Group has not adopted the new standards, amendments to published standards and IC Interpretations that have been issued but not yet effective. These new standards, amendments to published standards and IC Interpretations do not result in significant changes in accounting policies of the Group upon their initial application.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD

(Incorporated in Malaysia)

2.3 Significant accounting policies

Significant accounting policies are being disclosed as the combined financial statements contain financial information for FYE 31 December 2021 and 31 December 2022 where the amendments to MFRS 101 Disclosure of Accounting Policies have yet to become effective.

Basis of business consolidation

The consolidated financial statements comprises the financial statements of PAJ and its subsidiary as at the reporting date. The financial statements of the subsidiary used in the preparation of the consolidated financial statements are prepared for the same reporting date as PAJ. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which PAJ obtains control, and continue to be consolidated until the date that such control ceases.

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of PAJ and is presented within equity in the consolidated statement of financial position, separately from equity attributable to owners of PAJ. Non-controlling interests in the results of PAJ is presented in the statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the reporting period between non-controlling interests and the owners of PAJ. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Changes in PAJ owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to owners of PAJ.

Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM").

Revenue from contracts with customers

Revenue is recognised when or as a performance obligation in the contract with customer is satisfied, i.e. when the control of the goods or services underlying the particular performance obligation is transferred to the customer. A performance obligation is a promise to transfer a distinct goods or service (or a series of distinct goods or services that are substantially the same and that have the same pattern of transfer) to the customer that is explicitly stated in the contract and implied in the Group's customary business practices.

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

Revenue is recognised only when it is probable that the Group will collect the consideration to which it will be entitled in exchange for the goods or services sold.

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**

(Incorporated in Malaysia)

2.3 Significant accounting policies (continued)**Revenue from contracts with customers (continued)**

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

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

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

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

Employee benefits

- (i) Short term benefits

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

- (ii) Defined contribution plans

Obligations for contribution to defined contribution plans such as Employees Provident Fund are recognised as an expense as incurred.

Income tax

Income tax on the profit or loss for the reporting period comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the reporting period and is measured using the tax rates that have been enacted at the reporting date.

Deferred tax is provided for, using the 'liability' method, on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the reporting period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is recognised in profit or loss.

Deferred tax assets and liabilities are offset if there is legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**

(Incorporated in Malaysia)

2.3 Significant accounting policies (continued)**Impairment of assets**

The carrying amount of assets subject to accounting for impairment (primarily non financial assets) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in profit or loss in the reporting period in which it arises.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in profit or loss.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of day to day servicing of an item of property, plant and equipment are recognised in profit or loss in the reporting period in which they are incurred.

Gain or loss arising from the disposal of an asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation on property, plant and equipment is calculated on a straight line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

| | |
|---|-----------------|
| Leasehold land | 70 to 897 years |
| Building | 50 years |
| Furniture and fittings and office equipment | 10% - 20% |
| Motor vehicles | 10% - 20% |
| Plant and machinery | 10% - 20% |
| Site equipment | 10% - 20% |
| Renovation | 10% - 20% |

The residual values, useful life and depreciation method are reviewed at each reporting date to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

2.3 Significant accounting policies (continued)

Investment properties

Investment properties are properties which are held either to earn rental income or for capital appreciation or for both. Such properties are stated at cost, including transaction costs less accumulated depreciation and impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Depreciation on investment properties is calculated on a straight line basis at the following annual rates based on their estimated useful lives:

| | |
|-----------------------|----|
| Leasehold shop office | 2% |
|-----------------------|----|

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the reporting period in which they arise.

Transfers are made to investment property only when there is a change in use. For a transfer of owner-occupied property to an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Contract assets and liabilities

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs its performance obligation by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. In the case of construction contract, contract asset is the excess of cumulative revenue earned over the billings to date. A contract asset is stated at cost less accumulated impairment losses, if any.

A contract liability is the obligation to transfer goods and services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer. In the case of construction contract, contract liability is the excess of the billings to date over the cumulative revenue earned. Contract liabilities are recognised as revenue when the Group performs its obligation under the contracts.

Contract costs

The Group recognise costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group that will be used in satisfying performance obligation in the future and are recovered.

The contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**

(Incorporated in Malaysia)

2.3 Significant accounting policies (continued)**Leases****As a lessee**

i) Right of use assets

The Group recognises a right of use asset at the commencement date of the lease. The right of use asset is initially measured at cost. The cost of right of use assets includes the amount of lease liabilities recognised, adjusted for any lease payments made at or before the commencement date, plus initial direct costs incurred and an estimate of costs to dismantle, remove or restore the leased asset, less any lease incentives received.

Subsequent to initial measurement, the right of use asset which transfer ownership of the underlying asset to the Group at end of the lease term, is depreciated on a straight line basis over the estimated useful life. Otherwise, the right of use asset is depreciated on a straight line basis over the shorter of the lease term and the estimated useful life. The depreciation period is as follows:

| | |
|---------------------|--------------|
| Staff dwelling | 4 years |
| Motor vehicles | 5 years |
| Office premises | 3 to 5 years |
| Plant and machinery | 10 years |
| Site equipment | 10 years |

Right of use asset is subject to impairment and is adjusted for any remeasurement of lease liabilities.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the assessment of lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payments occurs. The present value of lease payments is discounted using the interest rate implicit in the lease or, if the rate cannot be readily determined, the Group's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The amount of lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recognised in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

The Group has elected not to recognise right of use assets and lease liabilities for short term leases that have a lease term of 12 months or less and do not contain a purchase option, and leases of low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight line basis over the lease term.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

2.3 Significant accounting policies (continued)**Leases (continued)****As a lessor**

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight line basis over the lease terms and is included in other operating income in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Inventories

i) Land held for property development

Land held for property development where development activities are not expected to be completed within the normal operating cycle, is classified as non-current and carried at the lower of cost and net realisable value. The costs of land held for property development is determined on specific identification basis and comprises costs of land, professional fees, stamp duties, commissions, conversion fees and other relevant levies. Land held for property development is reclassified to current assets when development activities have commenced and are expected to be completed within the normal operating cycle.

ii) Completed development units

Completed development units are stated at the lower of cost and net realisable value. Cost is determined on a specific identification basis and includes land costs, all direct building costs and other related development costs.

iii) Net realisable value

Net realisation value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable selling expenses.

Provisions and contingent liabilities

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

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

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

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

2.3 Significant accounting policies (continued)

Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of the asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

Segment information

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

Financial instruments

Financial instruments are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instrument.

A financial instrument (unless it is a trade receivable without a significant financing component) is recognised initially at its fair value plus or minus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument. A trade receivable without significant financing component is initially measured at the transaction price.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends and gains and losses relating to a financial instrument classified as a liability, are reported as expense or income in profit or loss.

Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has legal enforceable right to offset and intends to settle either on a net basis or realise the asset and settle the liability simultaneously.

On initial recognition, financial assets are classified as subsequently measured at amortised cost, fair value through other comprehensive income and fair value through profit or loss. Financial liabilities are classified, at initial recognition, as financial liabilities subsequently measured at fair value through profit or loss or at amortised cost, as appropriate.

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**

(Incorporated in Malaysia)

2.3 Significant accounting policies (continued)**Financial instruments (continued)****(i) Financial assets at amortised cost**

A financial asset is classified at amortised cost if it meets both of the following conditions:

- a) the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets at amortised cost are measured using the effective interest method and are subject to impairment. Gains or losses are recognised in profit or loss when the financial assets at amortised cost are derecognised or impaired, and through the amortisation process (finance income).

(ii) Financial liabilities at amortised cost

Financial liabilities are classified at amortised cost if they are not:

- a) contingent consideration of an acquirer in a business combination;
- b) financial guarantee contracts;
- c) loan commitments;
- d) designated at fair value through profit or loss; or
- e) liabilities that arise when a transfer of a financial asset that does not qualify for derecognition or when the continuing involvement approach applies.

Subsequent to initial recognition, financial liabilities at amortised cost are measured using the effective interest method. Gains or losses are recognised in profit or loss when the financial liabilities at amortised cost are derecognised, and through the amortisation process (finance cost).

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the loss allowance determined in accordance with the expected credit losses model and the amount initially recognised less cumulative amortisation.

(iv) Equity instruments

Equity instruments issued by the Group are recorded at the fair value of the proceeds received net of direct issue costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the reporting period in which they are approved.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD

(Incorporated in Malaysia)

2.3 Significant accounting policies (continued)

Financial instruments (continued)

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

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

Expected credit losses

The Group recognises an allowance for expected credit losses ("ECL") on the following items:

- a) financial assets at amortised cost;
- b) contract assets; and
- c) financial guarantee contracts.

ECL are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms. ECL are recognised in profit or loss.

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the ECL is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

ECL are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECL are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECL. The Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. Where appropriate, the Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward looking factors specific to the debtors and the economic environment.

Loss allowances for debt instruments measured at amortised cost and contract assets are deducted from the gross carrying amount of the assets.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

2.3 Significant accounting policies (continued)**Expected credit losses (continued)***Low credit risk*

A financial instrument is determined to have low credit risk if:

- a) the financial instrument has a low risk of default;
- b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definition.

Significant increase in credit risk

When determining whether the credit risk of a debt instrument has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

Definition of default

The Group considers a debt instrument to be in default when:

- a) The Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group; or
- b) The financial asset is more than 90 days past due.

Credit impaired financial assets

A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable events:

- a) Significant financial difficulties of the debtor;
- b) A breach of contract, such as a default or past due event;
- c) The lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- d) It becoming probable that the borrower will enter into bankruptcy or other financial reorganisations; or
- e) Disappearance of an active market for that financial asset because of financial difficulties.

Write off

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows. Subsequent recoveries of a financial asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

2.3 Significant accounting policies (continued)**Current versus non-current classification**

Assets and liabilities are presented based on a current/non-current classification. An asset is current when it is:

- a) Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- b) Held primarily for the purpose of trading;
- c) Expected to be realised within twelve months after the reporting period; or
- d) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- a) It is expected to be settled in the normal operating cycle;
- b) It is held primarily for the purpose of trading;
- c) It is due to be settled within twelve months after the reporting period; or
- d) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Statements of cash flows

Statements of cash flows are prepared using the indirect method.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amount of cash and which are subject to insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts, fixed deposits with initial maturity of more than 3 months and pledged fixed deposits.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD

(Incorporated in Malaysia)

3. Critical accounting estimates and judgements

In the preparation of the financial statements, the directors are required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the process of applying the Group's accounting policies, which are described above, management is of the opinion that there are no instances of application of judgement which are expected to have a significant effect on the amounts recognised in the financial statements.

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period other than as follows:

a) Recognition of construction revenue

Construction contract revenue, including variation in contract work or claim, is recognised over time by selecting an appropriate method for measuring the Group's progress towards complete satisfaction of that performance obligation.

The progress towards complete satisfaction of the performance obligation is measured using an input method, by reference to the construction costs incurred to date as a percentage of the estimated total cost of the contract. Variation in contract work or claim that can be measured reliably are estimated based on the latest available information and development of the construction contract.

Significant estimation is required in determining the progress based on actual costs incurred to date over the estimated total construction costs and judgement in determining the customer approval to the variation in contract work or claim. The total estimated costs are based on approved budgets, which required assessments and judgement to be made on changes in, for example scope of work and costs to completion. Whilst the total amount of consideration includes the estimated amount arising from variation in contract work or claim, which required assessments and judgments to be made. In making these estimations, the Group evaluates based on past experience and latest available information and development of the construction contract.

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**4. Revenue**

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|---|---|---|---|--|--|
| Property development activities | | | | | |
| - sale of development properties | 2,366,758 | - | - | - | - |
| - sale of completed properties | 17,050,332 | 7,461,044 | 6,000,000 | 3,000,000 | - |
| Sale of ready mixed concrete and asphalt premix | - | 863,635 | 1,094,658 | 714,748 | 1,990,875 |
| Construction contracts | 212,039,930 | 288,513,869 | 273,671,414 | 123,443,413 | 146,832,601 |
| | <u>231,457,020</u> | <u>296,838,548</u> | <u>280,766,072</u> | <u>127,158,161</u> | <u>148,823,476</u> |

4.1 Performance obligationsConstruction contracts and development properties

Revenue is recognised over time by reference to the progress towards the complete satisfaction of the performance obligation. Payment is generally due within 30 to 45 days from the progress billing. For construction contracts, defect liability period ranges from 12 to 24 months after the customer take over the possession of the contracts. For development properties, defect liability period of 6 months commences from the date when vacant possession is delivered to the customer.

Completed properties

Revenue is recognised at a point in time when the control of the properties is transferred and delivered to the purchasers. Payment terms are determined on case by case basis. Defect liability period of 6 months commences from the date when vacant possession is delivered to the customer.

Ready mixed concrete

Revenue is recognised at a point in time when the control of the goods is transferred and delivered to the customers. Payment is generally due within 30 days from the date of delivery.

4.2 Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as at the end of reporting period:

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|--------------------|---|---|---|--|--|
| Within one year | 231,799,920 | 252,338,072 | 310,064,323 | 326,901,911 | 298,433,425 |
| More than one year | 482,674,346 | 299,661,158 | 19,017,767 | 123,667,174 | 587,627,064 |
| | <u>714,474,266</u> | <u>551,999,230</u> | <u>329,082,090</u> | <u>450,569,085</u> | <u>886,060,489</u> |

4.3 Financing components

The Group does not have any contract where the period between the recognition of revenue under the percentage of completion and payment by the customer exceeds one year except for retention sums receivable for construction services rendered which do not consist of any financing component. As a consequent, the Group does not adjust any of the transaction prices for the time value of money.

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**5. Cost of sales**

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|---|--|--|--|---|---|
| Cost to fulfil contracts for: | | | | | |
| - development properties | 1,603,757 | - | - | - | - |
| - construction contracts | 146,256,835 | 199,737,595 | 197,249,906 | 91,117,660 | 108,549,139 |
| | 147,860,592 | 199,737,595 | 197,249,906 | 91,117,660 | 108,549,139 |
| Inventories recognised as expenses: | | | | | |
| - ready mixed concrete and asphalt premix | - | 376,664 | 136,528 | 320,194 | 1,629,852 |
| - completed properties | 13,668,201 | 5,930,157 | 5,801,252 | 3,000,000 | 33,537 |
| | 13,668,201 | 6,306,821 | 5,937,780 | 3,320,194 | 1,663,389 |
| | <u>161,528,793</u> | <u>206,044,416</u> | <u>203,187,686</u> | <u>94,437,854</u> | <u>110,212,528</u> |

6. Staff costs

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|--|--|--|--|---|---|
| Defined contribution plan | 1,803,417 | 2,484,085 | 2,955,315 | 1,679,195 | 1,978,971 |
| Salaries and allowances | 25,520,525 | 29,174,894 | 30,895,138 | 17,023,895 | 18,436,264 |
| Other employee related expenses | 844,150 | 1,900,180 | 837,044 | 460,111 | 429,394 |
| | 28,168,092 | 33,559,159 | 34,687,497 | 19,163,201 | 20,844,629 |
| Staff costs recognised in contract costs | (16,168,339) | (15,750,882) | (14,694,326) | (7,859,197) | (8,653,680) |
| | <u>11,999,753</u> | <u>17,808,277</u> | <u>19,993,171</u> | <u>11,304,004</u> | <u>12,190,949</u> |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**6. Staff costs (continued)**

The key management personnel comprises executive directors and senior management of the combined entities and whose remuneration is analysed as follows:

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|-----------------------------------|--|--|--|---|---|
| Directors' remuneration | | | | | |
| - fees | 1,470,000 | 1,620,000 | 1,675,000 | 775,000 | 900,000 |
| - other than fees | 5,910,839 | 8,195,826 | 9,111,819 | 5,601,073 | 5,358,418 |
| | 7,380,839 | 9,815,826 | 10,786,819 | 6,376,073 | 6,258,418 |
| Senior management | | | | | |
| - defined contribution plan | 114,986 | 175,728 | 254,356 | 163,718 | 225,882 |
| - salaries and allowance | 1,413,050 | 1,905,223 | 2,562,050 | 1,559,650 | 2,178,250 |
| - other employee related expenses | 6,363 | 9,110 | 10,754 | 5,860 | 5,953 |
| | 1,534,399 | 2,090,061 | 2,827,160 | 1,729,228 | 2,410,085 |
| | <u>8,915,238</u> | <u>11,905,887</u> | <u>13,613,979</u> | <u>8,105,301</u> | <u>8,668,503</u> |

7. Profit from operations

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|--|--|--|--|---|---|
| Profit from operations is arrived at after charging/(crediting): | | | | | |
| Auditors' remuneration | | | | | |
| - statutory | | | | | |
| - current year | 123,500 | 150,000 | 205,000 | 136,000 | 105,000 |
| - under provision in prior years | 8,000 | 2,500 | - | - | - |
| - non statutory | 17,500 | 59,500 | 42,000 | - | - |
| Bad debts written off | - | - | 139,882 | 139,882 | - |
| Directors' remuneration | | | | | |
| - fees | 1,470,000 | 1,620,000 | 1,675,000 | 775,000 | 900,000 |
| - other than fees | 5,910,839 | 8,195,826 | 9,111,819 | 5,601,073 | 5,358,418 |
| Expenses relating to | | | | | |
| - short term leases | - | 222,910 | 503,910 | 183,245 | 348,513 |
| - low value assets | 33,887 | 178,159 | 326,048 | 139,199 | 67,928 |
| Gain on disposals of | | | | | |
| - plant and equipment | - | (295,000) | (1,414) | (1,314) | - |
| - right of use assets | - | (50,000) | - | - | (68,917) |
| Gain on derecognition of lease | - | - | (21,597) | - | - |
| Hiring charges income | (770,129) | (385,700) | (276,955) | (77,664) | (344,346) |
| Income arising from lease | (56,889) | (99,859) | (100,345) | (50,173) | (50,173) |
| Plant and equipment written off | - | 39,094 | 55,229 | - | - |
| | <u>-</u> | <u>39,094</u> | <u>55,229</u> | <u>-</u> | <u>-</u> |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**8. Finance income**

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|---|---|---|---|--|--|
| Interest income from fixed deposits with licensed banks | 137,993 | 448,077 | 865,835 | 382,222 | 682,656 |

9. Finance costs

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|-----------------------------|---|---|---|--|--|
| Interest expense on | | | | | |
| - bank overdraft | 1,644,020 | 2,458,330 | 2,029,930 | 1,042,925 | 1,067,094 |
| - compensatory damages | - | - | - | - | 3,253,786 |
| - hire purchase liabilities | 1,271,563 | 1,287,397 | 1,145,042 | 637,629 | 390,378 |
| - other lease liabilities | 72,611 | 53,593 | 44,770 | 27,855 | 26,925 |
| - revolving credit | 466,067 | 2,582,447 | 1,925,017 | 461,621 | 730,622 |
| - term loans | 966,306 | 2,114,068 | 1,672,947 | 859,371 | 933,944 |
| - trade payables | 178,063 | 10,611 | 3,526 | 2,522 | 2,758 |
| - trust receipts | 1,719,569 | 1,808,482 | 2,462,854 | 1,046,933 | 1,504,025 |
| | <u>6,318,199</u> | <u>10,314,928</u> | <u>9,284,086</u> | <u>4,078,856</u> | <u>7,909,532</u> |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**10. Income tax expense**

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|---|--|--|--|---|---|
| Expected income tax payable | | | | | |
| - current year/period | (8,575,369) | (10,508,365) | (6,663,096) | (2,099,196) | (1,813,542) |
| - over/(under) provision in prior years/periods | 270,094 | (117,805) | (1,143,416) | (1,143,416) | (567,135) |
| | (8,305,275) | (10,626,170) | (7,806,512) | (3,242,612) | (2,380,677) |
| Deferred tax (Note 16) | | | | | |
| - current year/period | (3,954,384) | (3,525,800) | (4,476,100) | (1,823,000) | (2,774,215) |
| - over/(under) provision in prior years/periods | 422,403 | (118,309) | (300,100) | (82,200) | 385,000 |
| | (3,531,981) | (3,644,109) | (4,776,200) | (1,905,200) | (2,389,215) |
| | <u>(11,837,256)</u> | <u>(14,270,279)</u> | <u>(12,582,712)</u> | <u>(5,147,812)</u> | <u>(4,769,892)</u> |

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate is as follows:

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|---|--|--|--|---|---|
| Profit before tax | <u>46,027,098</u> | <u>45,984,772</u> | <u>38,566,318</u> | <u>11,966,118</u> | <u>12,592,148</u> |
| Taxation at statutory tax rate of 24% | (11,047,000) | (11,036,000) | (9,256,000) | (2,871,900) | (3,022,000) |
| Effects of lower tax rate for small medium enterprise | 42,000 | - | - | - | - |
| Expenses not deductible for tax purposes | (1,547,753) | (3,059,165) | (1,883,196) | (1,050,296) | (1,565,757) |
| Income not subject to tax | 23,000 | 61,000 | - | - | - |
| Over/(Under) provision in prior years/period | | | | | |
| - income tax | 270,094 | (117,805) | (1,143,416) | (1,143,416) | (567,135) |
| - deferred tax | 422,403 | (118,309) | (300,100) | (82,200) | 385,000 |
| Income tax expense for the year/period | <u>(11,837,256)</u> | <u>(14,270,279)</u> | <u>(12,582,712)</u> | <u>(5,147,812)</u> | <u>(4,769,892)</u> |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

11. Property, plant and equipment

| Cost | Leasehold land RM | Building RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Plant and machinery RM | Site equipment RM | Renovation RM | Total RM |
|--|--------------------------|--------------------|--|--------------------------|-------------------------------|--------------------------|----------------------|-----------------|
| At 1 January 2021 | 14,105,298 | 3,226,200 | 2,081,283 | 10,072,916 | 10,696,818 | 4,237,000 | 1,064,915 | 45,484,430 |
| Reclassification from right of use assets - net | - | - | - | 4,035,462 | 378,000 | - | - | 4,413,462 |
| Additions | - | - | 849,834 | 641,440 | 1,556,635 | 1,003,501 | 306,772 | 4,358,182 |
| At 31 December 2021 | 14,105,298 | 3,226,200 | 2,931,117 | 14,749,818 | 12,631,453 | 5,240,501 | 1,371,687 | 54,256,074 |
| Reclassification from right of use assets - net | - | - | - | 1,248,216 | 5,450,000 | - | - | 6,698,216 |
| Transfer to investment property | - | (1,851,200) | - | - | - | - | - | (1,851,200) |
| Additions | - | - | 388,638 | 2,763,246 | 560,361 | 1,097,368 | 237,057 | 5,046,670 |
| Write offs | - | - | (403,110) | - | - | (156,682) | - | (559,792) |
| Disposals | - | - | - | (1,676,400) | (250,000) | - | - | (1,926,400) |
| At 31 December 2022 | 14,105,298 | 1,375,000 | 2,916,645 | 17,084,880 | 18,391,814 | 6,181,187 | 1,608,744 | 61,663,568 |
| Reclassification (to)/from right of use assets - net | - | - | - | (2,099,597) | 11,573,000 | 6,215,000 | - | 15,688,403 |
| Additions | 9,758,800 | 1,000,000 | 184,275 | 18,950 | 502,190 | 256,380 | 123,236 | 11,843,831 |
| Write off | - | - | - | (473,322) | - | - | - | (473,322) |
| Disposals | - | - | - | (6,250) | - | - | - | (6,250) |
| At 31 December 2023 | 23,864,098 | 2,375,000 | 3,100,920 | 14,524,661 | 30,467,004 | 12,652,567 | 1,731,980 | 88,716,230 |
| Reclassification from right of use assets - net | - | - | - | 1,499,632 | 5,581,700 | 2,652,000 | - | 9,733,332 |
| Additions | - | - | 491,434 | 1,560,260 | 608,600 | 273,995 | 22,750 | 2,957,039 |
| Write offs | - | - | - | (56,000) | - | - | - | (56,000) |
| At 30 June 2024 | 23,864,098 | 2,375,000 | 3,592,354 | 17,528,553 | 36,657,304 | 15,578,562 | 1,754,730 | 101,350,601 |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

11. Property, plant and equipment (continued)

| | Leasehold land RM | Building RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Plant and machinery RM | Site equipment RM | Renovation RM | Total RM |
|---|-------------------------|----------------|---|-------------------------|------------------------------|-------------------------|------------------|-------------|
| Accumulated depreciation | | | | | | | | |
| At 1 January 2021 | 170,970 | 244,951 | 996,525 | 7,357,239 | 3,769,420 | 1,392,316 | 313,608 | 14,245,029 |
| Reclassification from right of use assets - net | - | - | - | 3,048,534 | 724,200 | - | - | 3,772,734 |
| Charge for the year | 29,617 | 64,524 | 280,104 | 813,001 | 997,833 | 536,790 | 137,163 | 2,859,032 |
| At 31 December 2021 | 200,587 | 309,475 | 1,276,629 | 11,218,774 | 5,491,453 | 1,929,106 | 450,771 | 20,876,795 |
| Reclassification from right of use assets - net | - | - | - | 1,342,316 | 2,363,200 | - | - | 3,705,516 |
| Transfer to investment property | - | (89,475) | - | - | - | - | - | (89,475) |
| Charge for the year | 29,618 | 27,500 | 264,134 | 1,033,057 | 889,049 | 530,025 | 152,311 | 2,925,694 |
| Write offs | - | - | (364,016) | - | (175,000) | (156,682) | - | (520,698) |
| Disposals | - | - | - | (1,673,085) | - | - | - | (1,848,085) |
| At 31 December 2022 | 230,205 | 247,500 | 1,176,747 | 11,921,062 | 8,568,702 | 2,302,449 | 603,082 | 25,049,747 |
| Reclassification (to)/from right of use assets - net | - | - | - | (109,649) | 4,626,819 | 2,626,900 | - | 7,144,070 |
| Charge for the year | 29,618 | 27,500 | 283,104 | 647,398 | 2,089,076 | 580,109 | 160,426 | 3,817,231 |
| Write off | - | - | - | (418,093) | - | - | - | (418,093) |
| Disposals | - | - | - | (1,814) | - | - | - | (1,814) |
| At 31 December 2023 | 259,823 | 275,000 | 1,459,851 | 12,038,904 | 15,284,597 | 5,509,458 | 763,508 | 35,591,141 |
| Reclassification from right of use assets - net | - | - | - | 769,299 | 2,268,150 | 982,700 | - | 4,020,149 |
| Charge for the period | 14,808 | 23,750 | 157,299 | 362,159 | 1,646,039 | 610,407 | 85,437 | 2,899,899 |
| Write offs | - | - | - | (56,000) | - | - | - | (56,000) |
| At 30 June 2024 | 274,631 | 298,750 | 1,617,150 | 13,114,362 | 19,198,786 | 7,102,565 | 848,945 | 42,455,189 |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

11. Property, plant and equipment (continued)

| | Leasehold land RM | Building RM | Furniture, fittings and office equipment RM | Motor vehicles RM | Plant and machinery RM | Site equipment RM | Renovation RM | Total RM |
|------------------------|-------------------------|----------------|---|-------------------------|------------------------------|-------------------------|------------------|-------------|
| Carrying amount | | | | | | | | |
| At 31 December 2021 | 13,904,711 | 2,916,725 | 1,654,488 | 3,531,044 | 7,140,000 | 3,311,395 | 920,916 | 33,379,279 |
| At 31 December 2022 | 13,875,093 | 1,127,500 | 1,739,898 | 5,163,818 | 9,823,112 | 3,878,738 | 1,005,662 | 36,613,821 |
| At 31 December 2023 | 23,604,275 | 2,100,000 | 1,641,069 | 2,485,757 | 15,182,407 | 7,143,109 | 968,472 | 53,125,089 |
| At 30 June 2024 | 23,589,467 | 2,076,250 | 1,975,204 | 4,414,191 | 17,458,518 | 8,475,997 | 905,785 | 58,895,412 |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

11. Property, plant and equipment (continued)

Leasehold land and building of the Group with the following carrying amounts have been charged as collaterals to secure the banking facilities referred to in Note 28.

| | Audited 31.12.2021 | | Audited 31.12.2022 | | Audited 31.12.2023 | | Audited 30.6.2024 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--------------------|--------------------|--------------------|-------------------|--------------------|----------|-------------------|----------|--|--------------------|--------------------|--------------------|-------------------|--|----|-------|----|-------|------------------------------|---------|-----|---------|-----|----------------|------------|-----|------------|-----|--|-------------------|--|-------------------|--|--|--|--|-------------------|-------------------|--|--|--|-------------------|-------------------|--|--|--|-------------------|-------------------|
| | RM | Years | RM | Years | RM | Years | RM | Years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Leasehold land | 13,904,711 | 908 | 13,875,093 | 907 | 23,604,275 | 86 - 906 | 23,589,467 | 85 - 905 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Building | 2,916,725 | 895 | 1,127,500 | 894 | 2,100,000 | 893 | 2,076,250 | 892 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>16,821,436</u> | | <u>15,002,593</u> | | <u>25,704,275</u> | | <u>25,665,717</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>The unexpired leasehold years of the leasehold lands of the Group are as follows:</p> <table border="1"> <thead> <tr> <th></th> <th>Audited 31.12.2021</th> <th>Audited 31.12.2022</th> <th>Audited 31.12.2023</th> <th>Audited 30.6.2024</th> </tr> <tr> <th></th> <th>RM</th> <th>Years</th> <th>RM</th> <th>Years</th> </tr> </thead> <tbody> <tr> <td>Leasehold land with building</td> <td>896,664</td> <td>908</td> <td>881,613</td> <td>907</td> </tr> <tr> <td>Leasehold land</td> <td>13,008,047</td> <td>895</td> <td>12,993,480</td> <td>894</td> </tr> <tr> <td></td> <td><u>13,904,711</u></td> <td></td> <td><u>13,875,093</u></td> <td></td> </tr> <tr> <td></td> <td></td> <td></td> <td><u>10,625,362</u></td> <td><u>10,617,837</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td><u>12,978,913</u></td> <td><u>12,971,630</u></td> </tr> <tr> <td></td> <td></td> <td></td> <td><u>23,604,275</u></td> <td><u>23,589,467</u></td> </tr> </tbody> </table> | | | | | | | | | | Audited 31.12.2021 | Audited 31.12.2022 | Audited 31.12.2023 | Audited 30.6.2024 | | RM | Years | RM | Years | Leasehold land with building | 896,664 | 908 | 881,613 | 907 | Leasehold land | 13,008,047 | 895 | 12,993,480 | 894 | | <u>13,904,711</u> | | <u>13,875,093</u> | | | | | <u>10,625,362</u> | <u>10,617,837</u> | | | | <u>12,978,913</u> | <u>12,971,630</u> | | | | <u>23,604,275</u> | <u>23,589,467</u> |
| | Audited 31.12.2021 | Audited 31.12.2022 | Audited 31.12.2023 | Audited 30.6.2024 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | RM | Years | RM | Years | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Leasehold land with building | 896,664 | 908 | 881,613 | 907 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Leasehold land | 13,008,047 | 895 | 12,993,480 | 894 | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | <u>13,904,711</u> | | <u>13,875,093</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <u>10,625,362</u> | <u>10,617,837</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <u>12,978,913</u> | <u>12,971,630</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | <u>23,604,275</u> | <u>23,589,467</u> | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

Cash payments made to purchase property, plant and equipment are as follows:

| | Audited 31.12.2021 | | Audited 31.12.2022 | | Audited 31.12.2023 | | Audited 30.6.2024 | |
|----------------------------------|--------------------|-------|--------------------|-------|--------------------|-------|-------------------|-------|
| | RM | Years | RM | Years | RM | Years | RM | Years |
| Total additions | 4,358,182 | | 5,046,670 | | 11,843,831 | | 2,957,039 | |
| Deposits paid | - | | - | | (950,000) | | - | |
| Additions through other payables | - | | (2,438,000) | | (436,300) | | (1,435,600) | |
| Repayments of other payables | - | | - | | 2,438,000 | | 436,300 | |
| Total cash payments | <u>4,358,182</u> | | <u>2,608,670</u> | | <u>12,895,531</u> | | <u>1,957,739</u> | |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

12. Right of use assets

| Cost | Staff dwelling RM | Motor vehicles RM | Office premises RM | Plant and machinery RM | Site equipment RM | Total RM |
|--|--------------------------|--------------------------|---------------------------|-------------------------------|--------------------------|-----------------|
| At 1 January 2021 | 258,056 | 6,800,544 | 1,726,356 | 21,628,000 | 6,706,500 | 37,119,456 |
| Reclassification to property, plant and equipment - net | - | (4,035,462) | - | (378,000) | - | (4,413,462) |
| Additions | - | 876,218 | 268,674 | 8,195,500 | 3,600,500 | 12,940,892 |
| Derecognised upon completion of lease | - | - | (146,612) | - | - | (146,612) |
| At 31 December 2021 | 258,056 | 3,641,300 | 1,848,418 | 29,445,500 | 10,307,000 | 45,500,274 |
| Reclassification to property, plant and equipment - net | - | (1,248,216) | - | (5,450,000) | - | (6,698,216) |
| Additions | - | 8,425,391 | 161,694 | 6,954,600 | - | 15,541,685 |
| Disposals | - | (200,000) | - | - | - | (200,000) |
| Derecognised upon completion of lease | - | - | (165,913) | - | - | (165,913) |
| At 31 December 2022 | 258,056 | 10,618,475 | 1,844,199 | 30,950,100 | 10,307,000 | 53,977,830 |
| Reclassification from/(to) property, plant and equipment - net | - | 2,099,597 | - | (11,573,000) | (6,215,000) | (15,688,403) |
| Additions | - | 3,248,969 | - | 1,168,600 | - | 4,417,569 |
| Lease modification | - | - | 344,583 | - | - | 344,583 |
| Derecognised upon completion of lease | (258,056) | - | (762,798) | - | - | (1,020,854) |
| At 31 December 2023 | - | 15,967,041 | 1,425,984 | 20,545,700 | 4,092,000 | 42,030,725 |
| Reclassification to property, plant and equipment - net | - | (1,499,632) | - | (5,581,700) | (2,652,000) | (9,733,332) |
| Additions | - | 1,164,598 | - | 363,500 | - | 1,528,098 |
| Disposals | - | (215,000) | - | - | - | (215,000) |
| Lease modification | - | - | 347,970 | - | - | 347,970 |
| At 30 June 2024 | - | 15,417,007 | 1,773,954 | 15,327,500 | 1,440,000 | 33,958,461 |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

| 12. Right of use assets (continued) | Staff dwelling RM | Motor vehicles RM | Office premises RM | Plant and machinery RM | Site equipment RM | Total RM |
|--|----------------------|----------------------|-----------------------|---------------------------|----------------------|-------------|
| Accumulated depreciation | | | | | | |
| At 1 January 2021 | 71,336 | 3,552,067 | 531,690 | 3,635,500 | 820,650 | 8,611,243 |
| Reclassification to property, plant and equipment - net | - | (3,048,534) | - | (724,200) | - | (3,772,734) |
| Charge for the year | 91,982 | 1,353,290 | 486,615 | 3,200,850 | 1,030,700 | 6,163,437 |
| Derecognised upon completion of lease | - | - | (146,612) | - | - | (146,612) |
| At 31 December 2021 | 163,318 | 1,856,823 | 871,693 | 6,112,150 | 1,851,350 | 10,855,334 |
| Reclassification to property, plant and equipment - net | - | (1,342,316) | - | (2,363,200) | - | (3,705,516) |
| Charge for the year | 73,124 | 1,642,586 | 470,676 | 3,640,011 | 1,030,700 | 6,857,097 |
| Disposals | - | (65,000) | - | - | - | (65,000) |
| Derecognised upon completion of lease | - | - | (165,913) | - | - | (165,913) |
| At 31 December 2022 | 236,442 | 2,092,093 | 1,176,456 | 7,388,961 | 2,882,050 | 13,776,002 |
| Reclassification from/(to) property, plant and equipment - net | - | 109,649 | - | (4,626,819) | (2,626,900) | (7,144,070) |
| Charge for the year | 19,440 | 2,472,271 | 344,651 | 2,906,939 | 1,026,950 | 6,770,251 |
| Derecognised upon completion of lease | (255,882) | - | (566,286) | - | - | (822,168) |
| At 31 December 2023 | - | 4,674,013 | 954,821 | 5,669,081 | 1,282,100 | 12,580,015 |
| Reclassification to property, plant and equipment - net | - | (769,299) | - | (2,268,150) | (982,700) | (4,020,149) |
| Charge for the period | - | 1,189,190 | 158,187 | 892,042 | 204,600 | 2,444,019 |
| Disposals | - | (103,917) | - | - | - | (103,917) |
| At 30 June 2024 | - | 4,989,987 | 1,113,008 | 4,292,973 | 504,000 | 10,899,968 |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

12. Right of use assets (continued)

| | Staff dwelling RM | Motor vehicles RM | Office premises RM | Plant and machinery RM | Site equipment RM | Total RM |
|------------------------|----------------------|----------------------|-----------------------|---------------------------|----------------------|-------------|
| Carrying amount | | | | | | |
| At 31 December 2021 | 94,738 | 1,784,477 | 976,725 | 23,333,350 | 8,455,650 | 34,644,940 |
| At 31 December 2022 | 21,614 | 8,526,382 | 667,743 | 23,561,139 | 7,424,950 | 40,201,828 |
| At 31 December 2023 | - | 11,293,028 | 471,163 | 14,876,619 | 2,809,900 | 29,450,710 |
| At 30 June 2024 | - | 10,427,020 | 660,946 | 11,034,527 | 936,000 | 23,058,493 |

The Group leases its right of use assets to third parties. The Group has classified these leases as operating leases because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets to the lessee. The right of use assets that are leased as operating leases are as follows:

| | Plant and machinery Cost RM | Plant and machinery Accumulated depreciation RM | Plant and machinery Carrying amount RM |
|---------------------|-----------------------------------|--|---|
| At 31 December 2021 | 3,816,000 | 954,800 | 2,861,200 |
| At 31 December 2022 | 796,000 | 318,400 | 477,600 |
| At 31 December 2023 | - | - | - |
| At 30 June 2024 | - | - | - |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**12. Right of use assets** (continued)

Cash payments made to purchase right of use assets are as follows:

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|-----------------------------|--|--|--|---|
| Total additions | 12,940,892 | 15,541,685 | 4,417,569 | 1,528,098 |
| Additions through | | | | |
| - hire purchase liabilities | (11,761,800) | (13,726,545) | (3,855,800) | (1,399,500) |
| - other lease liabilities | (268,674) | (161,694) | - | - |
| Total cash payments | <u>910,418</u> | <u>1,653,446</u> | <u>561,769</u> | <u>128,598</u> |

13. Investment property

| | Leasehold shop office RM | Total RM |
|---|---|---------------------|
| Cost | | |
| At 31 December 2021 | - | - |
| Transfer from property, plant and equipment | 1,851,200 | 1,851,200 |
| At 31 December 2022/31 December 2023/30 June 2024 | <u>1,851,200</u> | <u>1,851,200</u> |
| Accumulated depreciation | | |
| At 31 December 2021 | - | - |
| Charge for the year | 37,025 | 37,025 |
| Transfer from property, plant and equipment | 89,475 | 89,475 |
| At 31 December 2022 | 126,500 | 126,500 |
| Charge for the year | 37,023 | 37,023 |
| At 31 December 2023 | 163,523 | 163,523 |
| Charge for the period | 18,512 | 18,512 |
| At 30 June 2024 | <u>182,035</u> | <u>182,035</u> |
| Carrying amount | | |
| At 31 December 2021 | - | - |
| At 31 December 2022 | <u>1,724,700</u> | <u>1,724,700</u> |
| At 31 December 2023 | <u>1,687,677</u> | <u>1,687,677</u> |
| At 30 June 2024 | <u>1,669,165</u> | <u>1,669,165</u> |

The leasehold shop office of the Group has been charged as collaterals to secure the banking facilities referred to in Note 28.

The unexpired leasehold years of the land where the building is located are 56 years (31.12.2023: 57 years; 31.12.2022: 58 years).

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**13. Investment property (continued)**

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

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|---------------------------|--|--|--|---|---|
| Rental income | - | (42,000) | (42,000) | (21,000) | (21,000) |
| Direct operating expenses | | | | | |
| Assessment and quit rent | - | 3,493 | 3,595 | 3,595 | 2,627 |
| Repair and maintenance | - | 5,529 | 7,041 | 6,049 | 1,749 |

The fair value of investment property is determined as RM1,750,000. Details of valuation techniques and inputs are disclosed in Note 34.2.

14. Investment in a subsidiary

The details of the subsidiary of PAJ are as follows:

| | Country of incorporation | Group's effective and voting interest | | | |
|--------------------------------|---------------------------------|--|-------------------|-------------------|------------------|
| | | 31.12.2021 | 31.12.2022 | 31.12.2023 | 30.6.2024 |
| | | % | % | % | % |
| Azam Jaya Land Sdn Bhd ("AJL") | Malaysia | 98.36 | 98.36 | 100 | 100 |

AJL is principally engaged in construction and civil engineering work.

During the financial year ended 31 December 2023, PAJ acquired 500,000 ordinary shares in AJL representing the remaining 1.64% equity interest in AJL for a cash consideration of RM500,000. With the acquisition, AJL became the wholly owned subsidiary of PAJ.

15. Inventories

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|------------------------------------|--|--|--|---|
| Non current | | | | |
| At cost: | | | | |
| Land held for property development | 3,092,919 | 3,147,892 | 3,210,118 | 3,210,118 |
| Current | | | | |
| At cost: | | | | |
| Completed development unit | 20,760,243 | 14,992,429 | 9,280,011 | 9,280,011 |

The unexpired lease period of the long term leasehold land held for property development is 43 (31.12.2023: 44; 31.12.2022: 45; 31.12.2021: 46) years.

Land held for property development of the Group have been charged as collaterals to secure the banking facilities referred to in Note 28.

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**16. Deferred tax assets/(liabilities)**

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|--|--|--|--|---|
| At beginning of year/period | 1,330,790 | (2,201,191) | (5,845,300) | (10,621,500) |
| Recognised in profit or loss (Note 10) | | | | |
| - current year/period | (3,954,384) | (3,525,800) | (4,476,100) | (2,774,215) |
| - over/(under) provision in prior years | 422,403 | (118,309) | (300,100) | 385,000 |
| | (3,531,981) | (3,644,109) | (4,776,200) | (2,389,215) |
| At end of year/period | (2,201,191) | (5,845,300) | (10,621,500) | (13,010,715) |
| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
| Deferred tax assets | - | 37,700 | 137,000 | 2,463,800 |
| Deferred tax liabilities | (2,201,191) | (5,883,000) | (10,758,500) | (15,474,515) |
| | (2,201,191) | (5,845,300) | (10,621,500) | (13,010,715) |
| Presented after appropriate offsetting: | | | | |
| Deferred tax assets | - | (37,700) | - | - |
| Deferred tax liabilities | (2,201,191) | (5,883,000) | (10,621,500) | (13,010,715) |

Deferred tax assets are in respect of the followings:

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Tax effects of: | | | | |
| Unabsorbed capital allowances | - | - | - | 1,883,700 |
| Unutilised tax losses to be utilised up to financial year ending 31 December 2034 | - | - | - | 329,900 |
| Other deductible temporary differences | - | 37,700 | 137,000 | 250,200 |
| | - | 37,700 | 137,000 | 2,463,800 |

Deferred tax liabilities are in respect of the followings:

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|--|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Tax effects of: | | | | |
| Differences between tax capital allowances and accounting depreciation | 1,887,191 | 3,363,000 | 4,923,500 | 6,227,515 |
| Taxable timing differences for revenue recognition | 314,000 | 2,520,000 | 5,835,000 | 9,247,000 |
| | 2,201,191 | 5,883,000 | 10,758,500 | 15,474,515 |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

17. Trade receivables

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Third parties | 85,252,417 | 90,144,966 | 49,020,459 | 86,699,922 |
| Less: Allowance for expected credit losses | - | (4,263,528) | (4,263,528) | (4,263,528) |
| | 85,252,417 | 85,881,438 | 44,756,931 | 82,436,394 |
| Amount due from a person connected to certain directors | 443,990 | - | - | - |
| Retention sum due from third parties | 592,249 | - | - | - |
| | 86,288,656 | 85,881,438 | 44,756,931 | 82,436,394 |
| Less: portion due within one year | (86,288,656) | (85,881,438) | (43,256,931) | (80,936,394) |
| Non current portion | - | - | 1,500,000 | 1,500,000 |

The non current portion of trade receivables is receivable as follows:

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Later than 1 year and not later than 2 years | - | - | 500,000 | 500,000 |
| Later than 2 years and not later than 5 years | - | - | 1,000,000 | 1,000,000 |
| | - | - | 1,500,000 | 1,500,000 |

The Group's normal trade credit term is 30 days to 45 days (31.12.2023: 30 days to 45 days; 31.12.2022: 30 days to 45 days; 31.12.2021: 30 days to 45 days). Trade credit terms of completed properties sold are assessed and approved on a case by case basis. Trade receivables are not secured by any collateral or credit enhancements.

The movements in the allowance for expected credit losses for trade receivables during the reporting period are as follows:

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|-------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| At beginning of year/period | 750,601 | - | 4,263,528 | 4,263,528 |
| Allowance for the year/period | - | 4,263,528 | - | - |
| Write offs | (750,601) | - | - | - |
| At end of year/period | - | 4,263,528 | 4,263,528 | 4,263,528 |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**17. Trade receivables (continued)**

The following table details the credit risk exposure on the Group's trade receivables. As the Group's historical credit loss experience does not show significantly different loss patterns (i.e. by customer segments), the allowance for expected credit loss based on past due status is not further distinguished between the Group's different customer base.

| Audited | | Trade receivables – days past due | | | | | |
|--------------------------------------|------------|--|--------------------|-------------------|-------------------|--------------------|--------------|
| 31.12.2021 | | Not past due | <30 days | 31-60 days | 61-90 days | >90 days | Total |
| | | RM | RM | RM | RM | RM | RM |
| Impairment assessed individually | | | | | | | |
| Gross carrying amount | 34,818,359 | 38,653,324 | - | 7,700,000 | 5,116,973 | 86,288,656 | |
| Audited | | Trade receivables – days past due | | | | | |
| 31.12.2022 | | Not past due | <30 days | 31-60 days | 61-90 days | >90 days | Total |
| | | RM | RM | RM | RM | RM | RM |
| Impairment assessed individually | | | | | | | |
| Gross carrying amount | 36,318,705 | 46,767,950 | 618,220 | 171,625 | 6,268,466 | 90,144,966 | |
| Less: | | | | | | | |
| Allowance for expected credit losses | - | - | - | - | (4,263,528) | (4,263,528) | |
| | 36,318,705 | 46,767,950 | 618,220 | 171,625 | 2,004,938 | 85,881,438 | |
| Audited | | Trade receivables – days past due | | | | | |
| 31.12.2023 | | Not past due | <30 days | 31-60 days | 61-90 days | >90 days | Total |
| | | RM | RM | RM | RM | RM | RM |
| Impairment assessed individually | | | | | | | |
| Gross carrying amount | 36,102,845 | 2,815,621 | 5,254,350 | 567,148 | 4,280,495 | 49,020,459 | |
| Less: | | | | | | | |
| Allowance for expected credit losses | - | - | - | - | (4,263,528) | (4,263,528) | |
| | 36,102,845 | 2,815,621 | 5,254,350 | 567,148 | 16,967 | 44,756,931 | |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

17. Trade receivables (continued)

| Audited 30.6.2024 | Not past due RM | Trade receivables – days past due | | | | Total RM |
|--|-----------------------|-----------------------------------|---------------------|---------------------|----------------|-------------------|
| | | <30 days RM | 31-60 days RM | 61-90 days RM | >90 days RM | |
| Impairment assessed individually | | | | | | |
| Gross carrying amount | 58,418,718 | 14,274,171 | 6,492,037 | 2,495,076 | 5,019,920 | 86,699,922 |
| Less: | | | | | | |
| Allowance for expected credit losses | - | - | - | - | (4,263,528) | (4,263,528) |
| | <u>58,418,718</u> | <u>14,274,171</u> | <u>6,492,037</u> | <u>2,495,076</u> | <u>756,392</u> | <u>82,436,394</u> |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**18. Other receivables, deposits and prepayments**

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|--|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Amounts due from related parties: | | | | |
| - directors | - | 1,929,200 | - | - |
| - persons connected to certain directors | 1,000,000 | - | - | - |
| - a company in which the shareholder is connected to certain directors | 4,617,617 | - | - | - |
| - companies in which certain directors have interest | 32,836,726 | 11,810,339 | 3,526,570 | - |
| | <u>38,454,343</u> | <u>13,739,539</u> | <u>3,526,570</u> | <u>-</u> |
| Less: Allowance for expected credit losses | (157,632) | (157,632) | - | - |
| | 38,296,711 | 13,581,907 | 3,526,570 | - |
| Recoverable expenses due from: | | | | |
| - third parties | 28,971,315 | 39,910,114 | 27,605,869 | 20,846,709 |
| - a company in which a shareholder is connected to certain directors | 3,469,770 | - | - | - |
| - companies in which certain directors have interest | 742,929 | 2,654,309 | 187,879 | 20,376 |
| | <u>33,184,014</u> | <u>42,564,423</u> | <u>27,793,748</u> | <u>20,867,085</u> |
| Other receivables | 8,938,261 | 8,182,024 | 8,105,585 | 8,008,762 |
| Less: Allowance for expected credit losses | (7,834,549) | (7,834,549) | (7,834,549) | (7,834,549) |
| | 1,103,712 | 347,475 | 271,036 | 174,213 |
| Non-refundable deposits paid for acquisition of land and building | - | 950,000 | - | - |
| Deposits | 1,679,517 | 1,284,383 | 1,476,265 | 1,909,288 |
| Prepayments | 654,816 | 639,638 | 644,798 | 727,244 |
| | <u><u>74,918,770</u></u> | <u><u>59,367,826</u></u> | <u><u>33,712,417</u></u> | <u><u>23,677,830</u></u> |

The movements in the allowance for expected credit losses for other receivables during the reporting period are as follows:

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|-----------------------------|--|--|--|---|
| At beginning of year/period | 7,992,181 | 7,992,181 | 7,992,181 | 7,834,549 |
| Write off | - | - | (157,632) | - |
| At end of year/period | <u><u>7,992,181</u></u> | <u><u>7,992,181</u></u> | <u><u>7,834,549</u></u> | <u><u>7,834,549</u></u> |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**19. Contract assets/(liabilities)**

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|--------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Contract assets | | | | |
| - construction contracts | <u>11,376,830</u> | <u>30,007,655</u> | <u>77,639,053</u> | <u>129,259,378</u> |
| Contract liabilities | | | | |
| - construction contracts | <u>(52,689,826)</u> | <u>(33,533,436)</u> | <u>(18,045,580)</u> | <u>(32,375,759)</u> |

The contract assets arising from construction contracts primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. Generally, the amount will be billed within 60 to 90 days.

The contract liabilities arising from construction contracts primarily relate to the advance consideration received for construction contracts, which revenue is recognised over time. The contract liabilities are expected to be recognised as revenue within a period of 24 months based on the progress of respective contracts.

As such, the balances of these account vary due to the timing difference between the contracted billing milestones and the revenue recognised based on the input method.

The changes to the net contract assets/(liabilities) are as follows:

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|---|--|--|--|---|
| At beginning of year/period | (37,096,332) | (41,312,996) | (3,525,781) | 59,593,473 |
| Revenue recognised during the year/period | 214,406,688 | 288,513,869 | 275,118,283 | 146,832,601 |
| Progress billings for the year/period | <u>(218,623,352)</u> | <u>(250,726,654)</u> | <u>(211,999,029)</u> | <u>(109,542,455)</u> |
| At end of year/period | <u>(41,312,996)</u> | <u>(3,525,781)</u> | <u>59,593,473</u> | <u>96,883,619</u> |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**20. Contract costs**

Materials delivered to the site but not consumed and converted to construction contracts output are capitalised as cost to fulfil contracts. These costs are expected to be recoverable and are amortised to profit or loss when the related revenue is recognised.

21. Fixed deposits with licensed banks

Fixed deposits with licensed banks of the Group that have been pledged with licensed banks to secure the banking facilities referred to in Note 28 are as follows:

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|--|--|--|--|---|
| Fixed deposits pledged with licensed banks | <u>27,713,863</u> | <u>40,288,553</u> | <u>47,880,565</u> | <u>48,203,996</u> |

22. Cash and bank balances

Included in the bank balances is an amount of RM Nil (31.12.2023: RM Nil; 31.12.2022: RM Nil; 31.12.2021: RM4,169,170) that has been retained in a non-checking account by a financial institution due to an ongoing litigation as disclosed in Note 35.

23. Invested equity

| | Number of Ordinary Shares | RM |
|--|--|------------------|
| Issued and fully paid up: | | |
| At 1 January 2021 | 6,050,002 | 6,050,002 |
| Issued during the year | <u>750,000</u> | <u>750,000</u> |
| At 31 December 2021/31 December 2022/31 December 2023/ 30 June 2024 | <u>6,800,002</u> | <u>6,800,002</u> |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group. All ordinary shares carry one vote per share without restrictions.

For the purpose of these combined financial statements, the invested equity at the end of the respective reporting periods is the aggregate of the share capital of the combining entities constituting the Group.

24. Term loans

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|--|--|--|--|---|
| Secured: | | | | |
| Amount outstanding | 23,297,648 | 20,861,808 | 28,551,740 | 26,287,420 |
| Less: Portion due within one year (Note 28) | <u>(3,757,073)</u> | <u>(4,659,208)</u> | <u>(4,679,524)</u> | <u>(4,859,170)</u> |
| Non current portion | <u>19,540,575</u> | <u>16,202,600</u> | <u>23,872,216</u> | <u>21,428,250</u> |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**24. Term loans (continued)**

The non current portion of term loans are payable as follows:

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Later than 1 year and not later than 2 years | 3,984,366 | 4,056,928 | 5,250,731 | 5,236,687 |
| Later than 2 years and not later than 5 years | 12,576,234 | 11,088,327 | 10,278,595 | 8,337,464 |
| Later than 5 years | 2,979,975 | 1,057,345 | 8,342,890 | 7,854,099 |
| | <u>19,540,575</u> | <u>16,202,600</u> | <u>23,872,216</u> | <u>21,428,250</u> |

The term loans are secured as disclosed in Note 28.

25. Lease liabilities

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|-----------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Hire purchase liabilities | 23,548,548 | 23,607,492 | 15,331,388 | 12,262,511 |
| Other lease liabilities | 1,113,062 | 725,397 | 488,567 | 684,062 |
| Principal portion | 24,661,610 | 24,332,889 | 15,819,955 | 12,946,573 |
| Less: Portion due within one year | (12,771,836) | (13,572,631) | (9,482,323) | (8,081,021) |
| Non current portion | <u>11,889,774</u> | <u>10,760,258</u> | <u>6,337,632</u> | <u>4,865,552</u> |

The non current portion of lease liabilities are payable as follows:

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Later than 1 year and not later than 2 years | 9,331,290 | 7,354,458 | 4,971,493 | 3,372,154 |
| Later than 2 years and not later than 5 years | 2,558,484 | 3,069,784 | 1,167,319 | 1,363,013 |
| Later than 5 years | - | 336,016 | 198,820 | 130,385 |
| | <u>11,889,774</u> | <u>10,760,258</u> | <u>6,337,632</u> | <u>4,865,552</u> |

The weighted average effective interest rates are as follows:

| | Audited 31.12.2021 % | Audited 31.12.2022 % | Audited 31.12.2023 % | Audited 30.6.2024 % |
|---------------------------|-------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|
| Hire purchase liabilities | 5.53 | 5.28 | 5.31 | 5.26 |
| Other lease liabilities | 6.97 | 7.02 | 7.35 | 7.35 |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**25. Lease liabilities (continued)**

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|--------------------------------|--|--|--|---|---|
| Total cash outflows for leases | 12,828,135 | 16,531,059 | 16,994,904 | 8,885,735 | 5,896,596 |

26. Trade payables

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|--|--|--|--|---|
| Third parties | 36,767,493 | 32,601,845 | 38,489,571 | 39,046,922 |
| Amount due to companies in which certain directors have interest | 1,773,977 | 1,082,233 | - | - |
| Retention sum | | | | |
| - Third parties | 16,483,512 | 19,805,980 | 17,522,742 | 18,327,739 |
| - Amount due to companies in which certain have interests | 5,955,838 | 5,543,916 | 5,423,916 | - |
| | 22,439,350 | 25,349,896 | 22,946,658 | 18,327,739 |
| Less: portion due within one year | 60,980,820 (38,541,470) | 59,033,974 (33,684,078) | 61,436,229 (37,289,571) | 57,374,661 (38,296,921) |
| Non current portion | 22,439,350 | 25,349,896 | 24,146,658 | 19,077,740 |

The non current portion of trade payables is payable as follows:

| | Audited 31.12.2021 | Audited 31.12.2022 | Audited 31.12.2023 | Audited 30.6.2024 |
|---|-------------------------------------|-------------------------------------|-------------------------------------|------------------------------------|
| Later than 1 year and not later than 2 years | 16,731,065 | 16,545,828 | 10,524,185 | 5,024,466 |
| Later than 2 years and not later than 5 years | 5,708,285 | 8,804,068 | 13,622,473 | 14,053,274 |
| | 22,439,350 | 25,349,896 | 24,146,658 | 19,077,740 |

The normal trade credit terms granted to the Group range from 30 days to 60 days (31.12.2023: 30 days to 60 days; 31.12.2022: 30 days to 60 days; 31.12.2021: 30 days to 60 days).

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**27. Other payables and accruals**

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Amounts due to related parties | | | | |
| - directors | 582,785 | 868,245 | - | - |
| - persons connected to certain directors | - | - | 22,756 | - |
| - a company in which certain directors have interest | - | 1,500,000 | - | - |
| - a company in which a shareholder is connected certain directors | 147,914 | - | - | - |
| | 730,699 | 2,368,245 | 22,756 | - |
| Deposits received from | | | | |
| - companies in which certain directors have interest | 2,500,000 | 2,500,000 | - | - |
| - a company in which the shareholder is connected certain directors | 5,400,000 | 5,400,000 | - | - |
| | 7,900,000 | 7,900,000 | - | - |
| Accrued staff costs | 355,503 | 690,456 | 2,248,247 | 2,706,108 |
| Balance of plant and equipment purchase consideration payable | - | 2,438,000 | 436,300 | 1,435,600 |
| Other payables and accruals | 1,455,431 | 828,899 | 1,768,764 | 1,749,464 |
| | <u>10,441,633</u> | <u>14,225,600</u> | <u>4,476,067</u> | <u>5,891,172</u> |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**28. Borrowings**

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|---|--|--|--|---|
| Secured: | | | | |
| Bank overdrafts | 29,527,185 | 41,451,529 | 26,427,890 | 52,486,780 |
| Revolving credits | 25,000,000 | 25,000,000 | 35,000,000 | 59,980,687 |
| Trust receipts | 28,975,011 | 28,617,845 | 37,713,435 | 27,949,145 |
| Term loans - current portion (Note 24) | 3,757,073 | 4,659,208 | 4,679,524 | 4,859,170 |
| | <u>87,259,269</u> | <u>99,728,582</u> | <u>103,820,849</u> | <u>145,275,782</u> |

The weighted average effective interest rates are as follows:

| | Audited 31.12.2021 % | Audited 31.12.2022 % | Audited 31.12.2023 % | Audited 30.6.2024 % |
|-------------------|---|---|---|--|
| Bank overdrafts | 6.87 | 7.86 | 8.08 | 8.04 |
| Revolving credits | 4.88 | 4.93 | 6.20 | 5.77 |
| Trust receipts | 6.30 | 7.79 | 7.97 | 7.95 |
| Term loans | <u>6.38</u> | <u>6.38</u> | <u>6.80</u> | <u>6.74</u> |

The secured borrowings of the Group are secured by way of:

- a) Legal charges over all monies debenture over the Group's assets;
- b) First party legal charges over the leasehold land and building of the Group (Note 11);
- c) First party legal charges over the leasehold shop office of the Group (Note 13);
- d) Third party first legal charges over the leasehold land of a company in which certain directors have interest;
- e) Third party second legal charge over an office lot of a company in which certain directors have interest;
- f) First party legal charges over the land held for property development of the Group (Note 15);
- g) Fixed deposits with licensed banks of the Group (Note 21);
- h) Deed of assignment of contract proceeds on certain projects;
- i) Guarantee by Syarikat Jaminan Pembiayaan Perniagaan under PEMULIH Government Guarantee Scheme for 80% of the principal and interest outstanding for a term loan;
- j) Facility agreements; and
- k) Jointly and severally guarantee by certain directors of the Group and also a person connected to certain directors.

29. Significant related party disclosures**29.1 Related party transactions**

For the purposes of these 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 where the Group and the parties are subject to common control. Related parties may be individuals or other entities.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

29.1 Related party transactions (continued)

Significant transactions with related parties are as follows:

| Name of company | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|---|---|---|---|--|--|
| Type of transactions | | | | | |
| With companies in which certain directors have interest: Jayawanto Sdn Bhd | (270,000) | (270,000) | (247,500) | (135,000) | (108,000) |
| | | | | | |
| Megaworld Synergy Sdn Bhd | (17,806,076) (289,200) | (14,410,233) (147,600) | (877,543) | (736,084) | - |
| Lease rental payment | | | | | |
| Hiring charges expenses | | | | | |
| Sales of ready-mixed concrete | - | - | 50,220 | 50,220 | - |
| Administrative charges income | 17,401 | 15,691 | 280 | 280 | - |
| Settlement of liabilities on behalf via assignment of debts | 1,600,000 | - | - | - | - |
| Tamawang Sdn Bhd | (7,337,295) | - | - | - | - |
| Subcontract expenses | | | | | |
| Settlement of liabilities on behalf via assignment of debts | 1,524,009 | - | - | - | - |
| Yun Foh Enterprise (S) Sdn Bhd | 1,600,000 | - | - | - | - |
| Settlement of liabilities on behalf via assignment of debts | | | | | |
| With a company in which a shareholder is connected to certain directors: Sense Power Sdn Bhd | (10,211,998) 248,382 | (13,159,507) 56,333 | - | - | - |
| Subcontract expenses | | | | | |
| Administrative charges income | | | | | |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

29.2 Related party balances

Individually significant outstanding balances in other receivables and other payables are as follows:

| | | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|----------------------------|
| Financial assets | Type of transactions | | | | |
| With directors: | | | | | |
| Tan Sri Datuk Seri Panglima Joseph Lo @ Lo Tain Foh | Advances | - | 1,929,200 | - | - |
| With person connected to certain directors: | | | | | |
| Datin Wendy Yap Kah Shuin | Advances | 1,000,000 | - | - | - |
| With companies in which certain directors have interest: | | | | | |
| Borneo Nabalu Builders Sdn Bhd | Recoverable expenses | 29,683 | 6,659 | 9,497 | 7,235 |
| Bunga Tetap Sdn Bhd | Recoverable expenses | 1,745 | - | - | - |
| Jayawanto Sdn Bhd | Advances | 2,250,000 | - | - | - |
| Megaworld Synergy Sdn Bhd | Advances | 336,655 | - | 3,526,570 | - |
| | Recoverable expenses | 688,951 | 2,647,650 | 178,382 | 13,141 |
| Pembangunan Sinaran Mutiara Sdn Bhd | Advances | 1,830,000 | - | - | - |
| | Recoverable expenses | 1,680 | - | - | - |
| Realworth Marketing Sdn Bhd | Advances | 28,262,439 | 10,382,707 | - | - |
| Tamawang Sdn Bhd | Advances | - | 1,270,000 | - | - |
| | Recoverable expenses | 20,560 | - | - | - |
| Yun Foh Enterprise (S) Sdn Bhd | Recoverable expenses | 310 | - | - | - |
| Zaramo Engineering Sdn Bhd | Advances | 157,632 | 157,632 | - | - |
| | Less: Allowance for ECL | (157,632) | (157,632) | - | - |
| | | - | - | - | - |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

29.2 Related party balances (continued)

| Financial assets | Type of transactions | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|--|-----------------------------|------------------------------|------------------------------|------------------------------|-----------------------------|
| With a company in which a shareholder is connected to certain directors: Sense Power Sdn Bhd | Advances | 4,617,617 | - | - | - |
| | Recoverable expenses | 3,469,770 | - | - | - |
| Financial liabilities | | | | | |
| With directors: Tan Sri Datuk Seri Panglima Joseph Lo @ Lo Tain Foh | Advances | 582,785 | 868,245 | - | - |
| With persons connected to certain directors: Lo Yun Yee @ Josephine Lo | Current account | - | - | 22,756 | - |
| With companies in which certain directors have interest: Megaworld Synergy Sdn Bhd | Advances | - | 1,500,000 | - | - |
| | Deposits received | 2,500,000 | 2,500,000 | - | - |
| With a company in which a shareholder is connected to a certain director: Sense Power Sdn Bhd | Advances | 147,914 | - | - | - |
| | Deposits received | 5,400,000 | 5,400,000 | - | - |

The balances are unsecured, interest free and receivable/payable on demand.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

29.3 Compensation of key management personnel

Key management personnel are those personnel having authority and responsibility for planning, directing and controlling the activities of the entity either directly or indirectly.

The key management personnel of the combined entities whose remuneration are disclosed in Note 6.

30. Capital commitments

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|--|--|--|--|---|
| Capital expenditure not provided for in the financial statements | | | | |
| - authorised and contracted for | - | 11,063,800 | - | - |
| Analysed as follows: | | | | |
| Property, plant and equipment | - | 11,063,800 | - | - |

31. Segment information

For management purposes, the Group is organised into business units based on the nature of business and has two reportable operating segments as follows:

| | |
|----------------------|---|
| Construction | - Infrastructure development and construction |
| Property development | - Industrial park development |

All the above reportable segments operate in Malaysia.

Management monitors the operating results of its business units as well as relying on the segment information as disclosed below for the purpose of making decision about resource allocation and performance assessment. During the financial year ended 31 December 2022, the Group had ceased its industrial park development segment upon completion of its development project. Accordingly, there will be no segment analysis from the financial year ended 31 December 2022 onwards.

31.1 Customers segment information

Revenue from transactions with major customers arising from construction segment that individually accounted for 10 percent or more of the Group's revenue are summarised below:

| | Audited 1.1.2021 to 31.12.2021 RM | Audited 1.1.2022 to 31.12.2022 RM | Audited 1.1.2023 to 31.12.2023 RM | Unaudited 1.1.2023 to 30.6.2023 RM | Audited 1.1.2024 to 30.6.2024 RM |
|------------|--|--|--|---|---|
| Customer A | 212,039,930 | 287,801,429 | 263,440,265 | 118,102,922 | 138,167,925 |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**
(Incorporated in Malaysia)**31.2 Business segments**

The following table provides an analysis of Group's revenue, results, assets, liabilities and other information by business segment.

| 2021 | Construction RM | Property development RM | Elimination RM | Total RM |
|---|----------------------------|--|---------------------------|---------------------|
| Revenue | | | | |
| Total revenue | 212,039,930 | 19,417,090 | - | 231,457,020 |
| Results | | | | |
| Profit from operations | 49,162,101 | 3,045,203 | - | 52,207,304 |
| Finance income | 130,464 | 7,529 | - | 137,993 |
| Finance costs | (5,917,591) | (400,608) | - | (6,318,199) |
| Profit before tax | 43,374,974 | 2,652,124 | - | 46,027,098 |
| Income tax expense | (11,090,719) | (746,537) | - | (11,837,256) |
| Net profit for the year | 32,284,255 | 1,905,587 | - | 34,189,842 |
| Assets and liabilities | | | | |
| Segment assets | 281,431,491 | 49,744,522 | (9,660,652) | 321,515,361 |
| Segment liabilities | 259,596,909 | 17,028,449 | (9,660,652) | 266,964,706 |
| Other information | | | | |
| Capital expenditure | | | | |
| - plant and equipment | 4,358,182 | - | - | 4,358,182 |
| - right of use assets | 12,940,892 | - | - | 12,940,892 |
| Depreciation of | | | | |
| - property, plant and equipment | 2,807,441 | 51,591 | - | 2,859,032 |
| - right of use assets | 6,163,437 | - | - | 6,163,437 |
| Non-cash items other than depreciation | - | - | - | - |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

32. Financial instruments and financial risk management**32.1 Categories of financial instruments**

The following table sets out the financial instruments as at the reporting date:

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|--------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Financial assets | | | | |
| Amortised cost: | | | | |
| - trade and other receivables | 160,552,610 | 143,659,626 | 77,824,550 | 105,386,980 |
| - fixed deposits with licensed banks | 27,713,863 | 41,288,553 | 49,274,321 | 49,626,832 |
| - cash and bank balances | 9,306,762 | 17,731,466 | 29,690,892 | 1,068,145 |
| | <u>197,573,235</u> | <u>202,679,645</u> | <u>156,789,763</u> | <u>156,081,957</u> |
| Financial liabilities | | | | |
| Amortised cost: | | | | |
| - lease liabilities (fixed rate) | 24,661,610 | 24,332,889 | 15,819,955 | 12,946,573 |
| - borrowings | | | | |
| - fixed rate | 53,975,011 | 53,617,845 | 72,713,435 | 87,929,832 |
| - floating rate | 52,824,833 | 62,313,337 | 54,979,630 | 78,774,200 |
| - trade and other payables | 71,422,453 | 73,259,574 | 74,469,296 | 63,265,833 |
| | <u>202,883,907</u> | <u>213,523,645</u> | <u>217,982,316</u> | <u>242,916,438</u> |

32.2 Financial risk management objectives and policies

The Group's overall financial risk management programme seeks to minimise potential adverse effects on financial performance of the Group.

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change in the Group's exposure to these financial risks or the manner in which it manages and measures the risk.

Credit risk management

The Group's credit risk is primarily attributable to its trade and other receivables and bank balances. The Group minimises credit risk by dealing with high credit worthy counterparties. At reporting date, there were no significant concentrations of credit risk other than the following:

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|---------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Amount due from one contract customer | | | | |
| - trade receivable | 74,935,500 | 81,402,438 | 35,658,468 | 75,058,932 |
| - contract asset | 11,376,830 | 30,007,655 | 77,639,053 | 129,259,378 |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

32.2 Financial risk management objectives and policies (continued)**Credit risk management (continued)**

The Group's credit risk grading framework for expected credit losses ("ECL") model is as follows:

| Category | Definition | Basis for recognition of ECL |
|-----------------|--|-------------------------------------|
| Performing | The debtor has a low risk of default and a strong capacity to meet contractual cash flows. | 12-month ECL |
| Doubtful | Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition. | Lifetime ECL – not credit impaired |
| Default | Amount is > 90 days past due or there is evidence indicating the asset is credit impaired. | Lifetime ECL – credit impaired |
| Write off | There is evidence indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. | Amount is written off |

i) Trade receivables and contract assets

For trade receivables and contract assets, the Group has applied the simplified approach to measure the loss allowance at lifetime expected credit losses. In determining the ECL of individual trade receivables and contract assets, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during these reporting periods.

ii) Other receivables

Other receivables (other than those identified below) are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on the receivables since initial recognition. Accordingly, for the purpose of impairment assessment for these receivables, the loss allowance is measured at an amount equal to 12-months ECL.

The following other receivables are not considered to have low credit risk as there has been significant increase in the risk of default on the receivables since initial recognition.

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|---|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Amount due from a company in which certain directors have an interest | 157,632 | 157,632 | - | - |
| Amount due from a former joint venture partner | <u>7,834,549</u> | <u>7,834,549</u> | <u>7,834,549</u> | <u>7,834,549</u> |

The loss allowance of the above receivables is measured at an amount equal to the lifetime ECL as there has been a significant increase in credit risk since initial recognition.

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**

(Incorporated in Malaysia)

32.2 Financial risk management objectives and policies (continued)**Credit risk management (continued)**

ii) Other receivables (continued)

In determining the ECL, management has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions of the industry in which the debtors operate, in estimating the probability of default of each of these financial assets occurring, as well as the loss upon default in each case. There has been no change in the estimation techniques or significant assumptions made during these reporting periods.

iii) Cash and bank balances (including fixed deposits)

The cash and bank balances are held with reputable financial institutions with high credit ratings and no history of default. Impairment on cash and bank balances has been measured on a 12-month ECL and reflects the short term maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the financial institutions. There has been no change in the estimation techniques or significant assumptions made during these reporting periods.

Pembinaan Azam Jaya Sdn Bhd provides corporate guarantee to licensed banks in respect of banking facilities granted to companies in which certain directors have interest. The Group monitors on an ongoing basis the financial results and repayments made by the companies in which certain directors have interest.

The maximum exposure to credit risk represented by the outstanding facilities utilised by the companies in which certain directors have interest are as follows:

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|-------------------|--|--|--|---|
| Bank overdraft | - | - | 1,320 | 596,638 |
| Term loan | 622,848 | 11,035,764 | 10,503,826 | 9,828,346 |
| Revolving credit | 3,130,550 | 1,019,200 | 1,053,154 | 1,053,154 |
| Invoice financing | 1,754,308 | 344,648 | 165,760 | - |
| Trust receipts | 1,115,142 | 861,637 | - | 2,463,000 |
| Hire purchase | 5,087,756 | 3,004,028 | 920,300 | - |
| | <u>11,710,604</u> | <u>16,265,277</u> | <u>12,644,360</u> | <u>13,941,138</u> |

Liquidity risk management

The Group maintains sufficient cash and bank balances, and internally generated cash flows to finance its activities. The Group finance its operations by a combination of equity and bank borrowings. In addition, the Group has available banking facilities to meet its liquidity and working capital requirements.

The following tables detail the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

32.2 Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

| Audited | Carrying amount RM | Total RM | Contractual cash flows (including interest payments) | | | |
|----------------------------|-----------------------|-------------|--|------------------------------|------------------------------|----------------------------|
| | | | On demand or within 1 year RM | Within 1 to 2 years RM | Within 2 to 5 years RM | More than 5 years RM |
| 31.12.2021 | | | | | | |
| Non interest bearing debts | 71,422,453 | 71,422,453 | 48,983,103 | 16,731,065 | 5,708,285 | - |
| Interest bearing debts | 131,461,454 | 139,977,782 | 104,381,680 | 14,787,352 | 16,999,353 | 3,809,397 |
| | 202,883,907 | 211,400,235 | 153,364,783 | 31,518,417 | 22,707,638 | 3,809,397 |
| Corporate guarantee | - | 12,083,047 | 12,083,047 | - | - | - |
| Audited | | | | | | |
| 31.12.2022 | | | | | | |
| Non interest bearing debts | 73,259,574 | 73,259,574 | 47,909,678 | 16,545,828 | 8,804,068 | - |
| Interest bearing debts | 140,264,071 | 147,093,400 | 115,946,705 | 12,845,469 | 16,221,232 | 2,079,994 |
| | 213,523,645 | 220,352,974 | 163,856,383 | 29,391,297 | 25,025,300 | 2,079,994 |
| Corporate guarantee | - | 17,105,458 | 17,105,458 | - | - | - |
| Audited | | | | | | |
| 31.12.2023 | | | | | | |
| Non interest bearing debts | 74,469,296 | 74,469,296 | 50,322,638 | 10,524,185 | 13,622,473 | - |
| Interest bearing debts | 143,513,020 | 157,121,843 | 121,049,815 | 11,662,874 | 14,042,534 | 10,366,620 |
| | 217,982,316 | 231,591,139 | 171,372,453 | 22,187,059 | 27,665,007 | 10,366,620 |
| Corporate guarantee | - | 13,603,686 | 13,603,686 | - | - | - |

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

32.2 Financial risk management objectives and policies (continued)

Liquidity risk management (continued)

| Audited | Carrying amount RM | Total RM | Contractual cash flows (including interest payments) | | | |
|----------------------------|-----------------------|-------------|--|------------------------------|------------------------------|----------------------------|
| | | | On demand or within 1 year RM | Within 1 to 2 years RM | Within 2 to 5 years RM | More than 5 years RM |
| 30.6.2024 | | | | | | |
| Non interest bearing debts | 63,265,833 | 63,265,833 | 44,188,093 | 5,024,466 | 14,053,274 | - |
| Interest bearing debts | 179,650,605 | 193,681,916 | 162,422,404 | 10,016,817 | 11,707,102 | 9,535,593 |
| | 242,916,438 | 256,947,749 | 206,610,497 | 15,041,283 | 25,760,376 | 9,535,593 |
| Corporate guarantee | - | 15,015,861 | 15,015,861 | - | - | - |

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**

(Incorporated in Malaysia)

32.2 Financial risk management objectives and policies (continued)**Liquidity risk management (continued)**

The fair value of financial guarantees have not been recognised since the fair value on initial recognition was not material as the financial guarantees provided by Pembinaan Azam Jaya Sdn Bhd did not contribute towards credit enhancement of the borrowing of the companies in which certain directors have interest in view of the securities pledged.

As at the reporting date, the counterparties to the corporate guarantee do not have the right to demand payment as there is no default on borrowings obtained by the company in which certain directors have interest.

Interest rate risk management

The Group's primary interest rate risk relates to interest bearing debts. The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. The information on maturity dates and effective interest rates of financial liabilities are disclosed in their respective notes.

The sensitivity analysis below has been determined based on the exposure to interest rates for the banking facilities at the reporting date. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis point higher or lower and all other variables were held constant, the Group's profitability before tax would decrease/increase by RM394,000 (31.12.2023: RM275,000; 31.12.2022: RM312,000; 31.12.2021: RM264,000).

33. Capital structure and capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern while providing an adequate return to stakeholders through the optimisation of the debt and equity balance.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the shareholder, return capital to shareholder, issue new shares or sell assets to reduce debt.

The Group monitors capital using debt-to-equity ratio, where the ratio is arrived at net debt (total borrowings excluding other lease liabilities less cash and bank balances) divided by total equity. The Group's strategy is to maintain the debt-to-equity ratio at a healthy level. The debt and equity ratio is as follows:

| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
|------------------------------------|--------------------------------------|--------------------------------------|--------------------------------------|-------------------------------------|
| Total debts | 130,348,392 | 139,538,674 | 143,024,453 | 178,966,543 |
| Less: | | | | |
| Cash and bank balances | (9,306,762) | (17,731,466) | (29,690,892) | (1,068,145) |
| Fixed deposits with licensed banks | (27,713,863) | (41,288,553) | (49,274,321) | (49,626,832) |
| Net debts | <u>93,327,767</u> | <u>80,518,655</u> | <u>64,059,240</u> | <u>128,271,566</u> |
| Total equity | <u>54,550,655</u> | <u>76,265,148</u> | <u>88,748,754</u> | <u>96,571,010</u> |
| Gearing ratio (times) | <u>1.71</u> | <u>1.06</u> | <u>0.72</u> | <u>1.33</u> |

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

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**

(Incorporated in Malaysia)

34. Fair value of assets and liabilities**34.1 Fair value hierarchy**

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liabilities, either directly (i.e. prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the assets or liabilities that are not based on observable market data (unobservable inputs).

34.2 Assets not carried at fair value but for which fair value is disclosed

The following table provides an analysis of each class of assets not measured at fair value at the end of the reporting period but for which fair value is disclosed:

| | Audited 31.12.2022 | | | |
|------------------------------|---|-----------------------------|-----------------------------|-----------------------------|
| | Fair value measurements at the end of the reporting period using | | | |
| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
| Non financial assets: | | | | |
| Investment property | | | | |
| - Leasehold shop office | - | 1,750,000 | - | 1,750,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

| | Audited 31.12.2023 | | | |
|------------------------------|---|-----------------------------|-----------------------------|-----------------------------|
| | Fair value measurements at the end of the reporting period using | | | |
| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
| Non financial assets: | | | | |
| Investment property | | | | |
| - Leasehold shop office | - | 1,750,000 | - | 1,750,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

| | Audited 30.6.2024 | | | |
|------------------------------|---|-----------------------------|-----------------------------|-----------------------------|
| | Fair value measurements at the end of the reporting period using | | | |
| | Level 1 RM | Level 2 RM | Level 3 RM | Total RM |
| Non financial assets: | | | | |
| Investment property | | | | |
| - Leasehold shop office | - | 1,750,000 | - | 1,750,000 |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

There were no transfers between these levels of fair values in the current reporting period.

Valuation techniques used to derive Level 2 fair values

The fair values of leasehold shop office were arrived at based on estimation made by the directors based on comparison method that refer to market values of similar properties in the open market.

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**

(Incorporated in Malaysia)

34.3 Financial assets and financial liabilities not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of cash and cash equivalents, receivables and payables (current portion), and other liabilities approximate their respective fair values due to the respectively short-term maturity of these financial instruments.

The fair value of the non-current portion of lease liabilities approximate its carrying amount, as these instruments were entered with interest rates which are reasonable approximation of the market interest rates on or near reporting date. The non current portion of trade receivables and trade payables are carried at transaction price as they do not contain any significant financing component.

The floating rate term loans approximate carrying amount as it re-priced to market interest rate on or near the reporting date.

35. Material litigations

The material litigation of the Group are as follows:

- (i) PAJ has taken out an action against Malayan Banking Berhad ("Maybank") following the termination of the Main Contract dated 25 April 2018 by Borneo Highway PDP Sdn Bhd ("BHP"), in relation to Projek Perlaksanaan Projek Lebuhraya Pan Borneo Sabah Membina Jalan Dari Putatan ke Inanam (WP06) ("the Project").

The Project was awarded by BHP to PAJ, which in turn entered into a Joint Venture Agreement with Kumpulan Liziz Sdn Bhd ("KLSB") to carry out the Project. Under the Joint Venture Agreement, PAJ was entitled to receive 8% of the contract proceeds and KLSB was entitled to receive 92%. KLSB had obtained a financing facility from Maybank. PAJ had executed a Third Party Deed of Assignment of Contract Proceeds, Notice of Assignment Cum Instruction, Irrevocable Letter of Instruction and Power of Attorney ("Security Documents"), all dated 4 January 2018 in favour of Maybank.

On 25 July 2019, KLSB gave up works under the Joint Venture Agreement, and PAJ took over the works therefrom. It was agreed between KLSB and PAJ that commencing from Progress Claim No. 17 onwards, PAJ will step in to carry out and complete the work and the whole of the contract proceeds received from BHP shall belong to PAJ. BHP later terminated the Main Contract with PAJ with effect from 22 September 2019.

Following this, BHP had made payment for Progress Claim No. 17 and 18 in the sum of RM465,100 and RM4,169,170 respectively. For Progress Claim No. 17, Maybank had only paid a sum of RM37,208 to PAJ. The remaining sum of RM427,892 was paid out to KLSB. In respect of Progress Claim No. 18, Maybank had retained the full sum of RM4,169,170 in PAJ's non-checking account and did not distribute the monies.

PAJ has taken an action to seek amongst all others, a declaration that all the Security Documents executed by PAJ in favour of Maybank are null and void and of no effect. PAJ also seeks an Order that Maybank pays the sums of RM427,892 under Progress Claim No 17, full sums under Progress Claim No. 18 and the sums under the Provisional Statement of Final Account to PAJ.

On 16 August 2022, the High Court dismissed the claim of PAJ and awarded cost of RM15,000 to Maybank. Upon the dismissal, Maybank had released the Progress Claim No. 18 of RM4,169,170 retained in PAJ's non-checking account to KLSB and PAJ based on the 92%:8% sharing ratio. Consequently, on prudent ground PAJ had provided an allowance of ECL of RM4,263,528 for the outstanding amount due from KLSB for Progress Claim No 17 and 18.

PAJ has filed an appeal to the Court of Appeal and hearing date has been fixed on 13 November 2024 and it is subsequently vacated.

13. ACCOUNTANTS' REPORT (CONT'D)**AZAM JAYA BERHAD**

(Incorporated in Malaysia)

35. Material litigations (continued)

- (ii) OTA Tunnel Squad Sdn Bhd ("OTA"), a subcontractor of PAJ has filed a civil suit against PAJ, in respect of the breach of two sub-contract agreements, namely BKI-22NCvC-72/9-2019 on 19 August 2019. OTA alleged that PAJ failed to pay a sum of RM13,851,289 being sum due for work done and RM1,894,925 being retention sum due under the sub-contract agreements.

On 23 October 2019, PAJ has filed a defence and counterclaim for a sum of RM8,107,000 being liquidated damages for delay in completing works under the sub-contract agreements.

The trial was completed on 3 July 2023. On 12 July 2024, the Court has dismissed the counterclaim by PAJ and awarded the full claim in favour of OTA amounting to approximately RM21.04 million (being the claimed amount of RM15.75 million and an estimated interest of RM5.29 million) ("Judgement").

Subsequently on 9 September 2024, PAJ and OTA have entered into a settlement agreement as a form of full and final settlement towards the Judgement and PAJ shall pay a total settlement sum of RM19.00 million to OTA in accordance with the following payment terms:

- a) RM9.00 million of which, through OTA's solicitors' account by 12 September 2024; and
- b) the following balance of RM10.00 million of which, by way of 5 instalments in equal amount via the issuance of such post-dated cheques dated 15 January 2025, 15 April 2025, 15 July 2025, 15 October 2025 and 15 January 2026, respectively payable to OTA's solicitors' account by 12 September 2024.

PAJ had recognised a total amount of RM10,618,708 which comprises RM7,364,922 (being the full claim amount of RM15,746,214 less an amount of RM8,381,292 previously recognised in financial year 2016 as its assessment of the value of work done by OTA) as construction cost and RM3,253,786 as interest expenses in the financial period ended 30 June 2024.

- (iii) Sabah Electricity Sdn Bhd ("SESB") has filed a civil suit, namely BKI-22NCvC-89/11/2020, against PAJ where SESB alleged that PAJ as the appointed contractor for the road upgrading project of areas surrounding Jalan Sulaman to Taman Indah Permai and Jalan Lintas, has been negligent by causing damage to SESB's underground cables whilst undertaking excavation works and construction works for the road upgrading project, seeking special damages in the sum of RM3,512,596 being costs and expenses incurred by SESB to repair the alleged damaged underground cables.

On 30 April 2024, PAJ and SESB had entered into a consent order where PAJ agreed to pay a sum of RM1,800,000 in full and final settlement of SESB's claim, payable by way of 24 months instalments. The settlement sum of RM1,800,000 have been accounted in financial year 2023.

As at date of this report, a total amount of RM375,000 had been paid over the total amount of RM1,800,000.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

36. Dividends

| | Gross dividend per share | | | |
|---|--------------------------------------|---------------------------------------|--------------------------------------|-------------------------------------|
| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
| For the financial year ended 31 December 2021: | | | | |
| First single tier interim dividend by KJ of 700% | 7.00 | - | - | - |
| For the financial year ended 31 December 2022: | | | | |
| First single tier interim dividend by AJP of 1,250% | - | 12.50 | - | - |
| For the financial year ended 31 December 2023: | | | | |
| First single tier interim dividend by PAJ of 160% | - | - | 1.60 | - |
| First single tier interim dividend by AJP of 625% | - | - | 6.25 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |
| | | Amount of dividend, net of tax | | |
| | Audited 31.12.2021 RM | Audited 31.12.2022 RM | Audited 31.12.2023 RM | Audited 30.6.2024 RM |
| For the financial year ended 31 December 2021: | | | | |
| First single tier interim dividend by KJ of 700% | 7,000,000 | - | - | - |
| For the financial year ended 31 December 2022: | | | | |
| First single tier interim dividend by AJP of 1,250% | - | 10,000,000 | - | - |
| For the financial year ended 31 December 2023: | | | | |
| First single tier interim dividend by PAJ of 160% | - | - | 8,000,000 | - |
| First single tier interim dividend by AJP of 625% | - | - | 5,000,000 | - |
| | <u> </u> | <u> </u> | <u> </u> | <u> </u> |

37. Events subsequent to reporting period

- (i) On 30 September 2024, the Company has completed the acquisitions of PAJ, AJP and KJ by acquiring the entire equity interest of these companies for a purchase consideration of RM49,705,340, RM12,039,034 and RM9,925,429 respectively. The purchase consideration was satisfied by way of issuance of 71,669,803 ordinary shares of the Company at an issue price of RM1 per ordinary share.
- (ii) Upon completion of the acquisitions as described in Note 37(i), the Company undertook a subdivision of its 71,669,805 existing ordinary shares into 421,200,000 ordinary shares on the basis of 1 existing ordinary shares subdivided into 5.877 ordinary shares.

13. ACCOUNTANTS' REPORT (CONT'D)

AZAM JAYA BERHAD
(Incorporated in Malaysia)

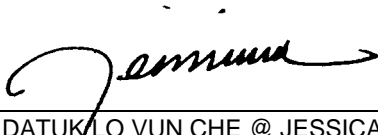
STATEMENT BY DIRECTORS

The directors nominated by AZAM JAYA BERHAD state that, in the opinion of the directors, the combined financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position of the Group as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, and of their financial performance and their cash flows for the years/period ended on 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024.

Signed on behalf of Azam Jaya Berhad
in accordance with a resolution of the directors,



DATUK JONATHAN LO CHAW LOONG, JP



DATUK LO VUN CHE @ JESSICA

Kota Kinabalu

Dated: **30 SEP 2024**

14. STATUTORY AND OTHER GENERAL INFORMATION

14.1 SHARE CAPITAL

- (i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.
- (ii) As at the LPD, our Company has only 1 class of shares, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (iii) Save as disclosed in this Prospectus, no shares, stocks or debentures of our Company has been issued or proposed to be issued as fully or partly paid-up in cash or otherwise, within the 2 years immediately preceding the date of this Prospectus.
- (iv) None of the share capital of our Group is under option, or agreed conditionally or unconditionally to be put under option as at the date of this Prospectus.
- (v) Save for the Issue Shares reserved for subscription by the Eligible Persons as disclosed in Section 4.3.1(b) of this Prospectus and subject to our Listing as disclosed in Section 4 of this Prospectus, there is currently no other scheme involving our directors and employees in the share capital of our Group.
- (vi) As at the date of this Prospectus, our Group does not have any outstanding warrants, options, convertible securities or uncalled capital.
- (vii) Save as disclosed in this Prospectus, and save as provided for under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our subsidiaries or upon the declaration or payment of any dividend or distribution thereon.

14.2 EXTRACTS OF OUR CONSTITUTION

The following are extracted from our Constitution and is qualified in its entirety by reference to of our Constitution and by applicable law. The words, terms and expressions appearing in the following provisions shall bear the same meanings used in this Prospectus unless they are otherwise defined or the context otherwise requires.

| Words | Definition |
|----------------------------|--|
| “Act” | The Companies Act, 2016 and/or any statutory modification, amendment or re-enactment thereof and any and every other legislation for the time being in force made thereunder and any written law for the time being in force concerning companies and affecting the Company for the time being in force. |
| “Central Depositories Act” | The Securities Industry (Central Depositories) Act 1991 and/or any statutory modification, amendment or re-enactment thereof for the time being in force. |
| “CEO / MD” | The Chief Executive Officer / Managing Director of the Company for the time being. |
| “Company” | AZAM JAYA BERHAD (Registration No. 202201021432 (1467129-U)) |
| “Exchange” | Bursa Malaysia Securities Berhad (Company No. 635998-W) and any other share, stock, or securities exchange upon which the shares of the Company is listed. |

14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

| Words | Definition |
|---------------------------------|--|
| "Listed" | Admitted to the Official List and "listing" shall be construed accordingly. |
| "Record of Depositors" | A record provided by the Depository to the Company or its registrar or its issuing house pursuant to an application under Chapter 24 of the Rules of the Depository. |
| "Rules/Rules of the Depository" | Rules of the Depository and any appendices thereto as they may be amended or modified from time to time. |
| "Security/Securities" | shall have the meaning given in Section 2(1) of the CMSA. |
| "Share Registrar" | Any person appointed to perform the duties of the Registrar of the Company for the time being. |

(i) Transfer of securities

The provision in our Company's Constitution in respect of the arrangements for transfer of securities and restrictions on their free transferability are as follows:

Clause 42

The transfer of any listed Security or class of listed Security in the Company shall be by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 105, 106 or 110 of the Act, subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the listed Securities.

Clause 43

The instrument of transfer of any share shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof.

Clause 45

Where:-

- (a) the securities of the Company are listed on another Exchange; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Central Depositories Act, as the case may be, under the Rules of the Depository in respect of such securities,

the Company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the Share Registrar of the company in the jurisdiction of the other Exchange, to the register of holders maintained by the Share Registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**(ii) Remuneration of Directors**

The provisions in our Company's Constitution in respect of the remuneration of Directors are as follows:

Clause 103

The fees and any benefits payable to the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall be subject to annual shareholder approval in general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office PROVIDED ALWAYS that:-

- (i) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (ii) salaries payable to executive Directors may not include a commission on or percentage of turnover;
- (iii) fees and any benefits payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (iv) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 104.2

If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged subject to any other provisions of this Constitution.

Clause 113

Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company.

Clause 136

The remuneration of the CEO / MD may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes, but such remuneration shall not include a commission on or percentage of turnover.

14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**(iii) Voting and borrowing powers of Directors**

The provisions in our Company's Constitution in respect of the voting and borrowing powers of the Directors are as follows:

Clause 123

A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company, shall declare the nature of his interest in accordance with the provisions of the Act and shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly, a personal interest and if he should do so, his vote should not be counted, but this prohibition shall not apply to:-

- (a) any arrangement for giving any Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security.

Clause 125

A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is to be appointed to hold any office or place of profit under the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit under any other company or whereat the terms of any such appointment or arrangements as hereinbefore mentioned are considered, and he may vote on any such matter other than in respect of the appointment of or arrangements with himself or the fixing of the terms thereof.

Clause 100.5

An alternate Director shall not be taken into account in reckoning the minimum or maximum number of Directors allowed for the time being but he shall be counted for the purpose of reckoning whether a quorum is present at any meeting of the Directors attended by him at which he is entitled to vote.

Clause 108

- (a) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party PROVIDED ALWAYS that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

- (b) The Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.
- (c) If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.
- (iv) **Changes in capital or variation of class rights and rights, preferences and restrictions attached to each class of securities relating to voting dividend, liquidation and any special rights**

The provisions in our Company's Constitution in respect of the changes in capital and variation of class rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights, which are no less stringent than those required by law, are as follows:

Clause 18

Whenever the capital of the Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of this Constitution (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-quarters (3/4) of the issued shares capital of the class or group, or with the sanction of any special resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of this Constitution relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one vote in respect of every share of the class or group held by them respectively. To every such special resolution, the provisions of Section 292 of the Act shall, with such adaptations as are necessary, apply.

Clause 52

In accordance with Paragraph 7.08 of the Listing Requirements, subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the directors may dispose of those shares or securities in such manner as they think most beneficial to the company. The directors may likewise also dispose of any new share or security which (by reason of the ratio

14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the directors, be conveniently offered under this Constitution. For the avoidance of doubt, where the approval of Members is obtained in a general meeting for any issuance of shares or convertible securities, including approvals obtained under Sections 75 and 76 of the Act, such approval shall be deemed to be a direction to the contrary given in general meeting which will render the pre-emptive rights above inapplicable. In any case and in respect of any issuance of shares or convertible securities, the pre-emptive rights of Members are strictly as contained in the Constitution and accordingly, the provisions of Section 85 of the Act in respect of pre-emptive rights to new shares, shall not apply.

Clause 54

Subject to the provisions of the Act and the Listing Requirements, the Company may by ordinary resolution:

- (a) consolidate and divide all or any of its share capital, such that the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;
- (b) convert all or any of its issued shares into stock and reconvert that stock into fully-paid shares;
- (c) subdivide its shares or any of its shares, such that whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived. Any resolution whereby any share is subdivided may determine that, as between the Holders of shares resulting from such subdivision, one (1) or more of such shares may have such preferred or other special rights over, or may be given any preference or advantage as regards distributions, including dividends, return of capital voting or otherwise over the other or others of such shares;
- (d) increase its share capital by such sum to be divided into shares of such amount as the resolution may prescribe; or
- (e) subject to the provisions of this Constitution and the Act, convert and/or reclassify any class of shares into another class of shares.

14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date is fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be effected by a Depositor by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**14.4 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION**

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single-tier dividend are not taxable. Further, the Government does not levy withholding tax on dividends payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

14.5 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contracts that are not in the ordinary course of our Group's business within the Period under Review and up to the date of this Prospectus:

- (i) conditional share sale agreement dated 5 June 2024 entered into between our Company and Tan Sri Joseph and Datuk Jonathan to acquire the entire issued share capital of Pembinaan AJ, for a purchase consideration of RM49,805,340 via the issuance of 49,805,340 new Shares at an issue price of RM1.00 per Share for the Acquisition of Pembinaan AJ which was completed on 30 September 2024;
- (ii) conditional share sale agreement dated 5 June 2024 entered into between our Company and Tan Sri Joseph, Datuk Jonathan, Johannes Lo and Lai Vui Kiong to acquire the entire issued share capital of AJ Properties, for a purchase consideration of RM12,039,034 via the issuance of 12,039,034 new Shares at an issue price of RM1.00 per Share for the Acquisition of AJ Properties which was completed on 30 September 2024;
- (iii) conditional share sale agreement dated 5 June 2024 entered into between our Company and Tan Sri Joseph and Datuk Jonathan to acquire the entire issued share capital of Kolopis Jaya, for a purchase consideration of RM9,925,429 via the issuance of 9,925,429 new Shares at an issue price of RM1.00 per Share for the Acquisition of Kolopis Jaya which was completed on 30 September 2024;
- (iv) sale and purchase agreement dated 12 July 2022 entered into between AJ Properties as the purchaser and the vendors being, Jules Patrick Stephens (in the capacity of an executor for the estate of Ben Stephens (deceased)), Caroline Stephens, Ursula Stephens, Josephine Stephens, Judith Mary Stephens, John Richard Stephens, Michael Stephens, Donald Stephens @ Aloysious (in the capacity of an executor for the estate of Imelda Mary Baxter (deceased)), for the sale and purchase of a piece of leasehold land with a bungalow house erected thereon, held under the Town Lease No. 017549674, Locality Jalan Istana, District of Kota Kinabalu, Sabah for a total consideration of RM9,500,000 by way of cash. The sale and purchase transaction was completed on 5 May 2023; and
- (v) the Underwriting Agreement.

As at the LPD, there are no material contracts (including contracts that our Group's business or profitability is materially dependent on as disclosed in Section 7.14 of this Prospectus and material contracts that is not in our Group's ordinary course of business) which could have a material adverse impact to our Group's business operations or financial condition.

14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**14.6 MATERIAL LITIGATION**

Save as disclosed below, as at the LPD, our Group is not involved in any material litigation or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business or financial position of the Group, and our Directors confirm to the best of their knowledge that there is no legal proceeding, pending or threatened, or of any fact likely to give rise to any legal proceeding which may have a material adverse effect on the business or financial position of the Group:

(i) High Court in Sabah and Sarawak (“High Court”) Suit No. BKI-22NCvC-72/8-2019: OTA Tunnel Squad Sdn Bhd (“OTA”) (as Plaintiff) vs Pembinaan AJ (as Defendant)

Pembinaan AJ had vide letters of award dated 11 May 2013 (in respect of tunnelling works) and 18 November 2014 (in respect of mechanical & electrical works) (collectively, the “**OTA Sub-Contract Agreements**”), appointed OTA as a sub-contractor for the Sepanggar Tunnel Project.

It was alleged that the Plaintiff and the Defendant had agreed on the final account statement for the Plaintiff’s final claim in respect of the following works done arising from the respective OTA Sub-Contract Agreements:-

- (a) tunnelling works for the sum of RM11,403,494.87 less the retention sum of RM1,532,425.00; and
- (b) mechanical and electrical works for the sum of RM2,447,794.50 less the retention sum of RM362,500.00.

The Plaintiff further alleged that:-

- (a) pursuant to the OTA Sub-Contract Agreements, the Defendant deducted the sum of RM1,532,245.00 and the sum of RM362,500.00 respectively from payments due to the Plaintiff as retention sums;
- (b) the defect liability period shall be 12 months from the official acceptance and issuance of certificate of practical completion of the tunnelling works and the mechanical & electrical works. In this connection, the defect liability period of the said works expired on 13 June 2016;
- (c) the Defendant, had neglected, failed or refused to release any or all of the aforesaid retention sums upon issue of the certificate of practical completion of the tunnelling works and the mechanical & electrical works on 14 June 2015 and upon expiry date of the defect liability period being 13 June 2016.

Premised upon the above, on 18 August 2019, OTA filed a statement of claim against Pembinaan AJ, claiming for RM13,851,289.37, allegedly due and owing, arising from the OTA Sub-Contract Agreements and a total retention sum of RM1,894,925.00. Pembinaan AJ has disputed the above claims from OTA and in turn counterclaims against OTA for agreed liquidated damages in the sum of RM8,107,000.00 (“**Counter Claim**”) for delays in the performance of OTA’s works.

The trial for this matter was completed on 3 July 2023. On 12 July 2024, the High Court has dismissed the Counter Claim by Pembinaan AJ and awarded the full claim in favour of OTA amounting to approximately RM21.06 million (being the claimed amount of RM15.75 million and an estimated interest of RM5.31 million) (“**Judgment**”).

14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

On 12 July 2024, Pembinaan AJ filed an appeal bearing suit no. S-02(NCvC)(W)-1443-08/2024 to the Court of Appeal of Malaysia (Appellate Jurisdiction) against the Judgment ("**Appeal**").

Subsequently on 9 September 2024, Pembinaan AJ and OTA have entered into a settlement agreement ("**Settlement Agreement**") as a form of full and final settlement towards the Judgment and such relevant order for costs, salient terms of which are set out amongst others, as follows:-

- (i) Pembinaan AJ shall pay a total settlement sum of RM19.00 million only to OTA ("**Settlement Sum**") in accordance with the following payment terms:-
 - (a) RM9.00 million of which, through OTA's solicitors' account by 12 September 2024; and
 - (b) the following balance of RM10.00 million of which, by way of 5 monthly instalments in equal amount via the issuance of such post-dated cheques dated 15 January 2025, 15 April 2025, 15 July 2025, 15 October 2025 and 15 January 2026, respectively payable to OTA's solicitors' account by 12 September 2024;
- (ii) Pembinaan AJ shall withdraw the Appeal with no liberty to file afresh and shall further withdraw its stay application bearing suit No. BKI-22NCVC-72/8-2019 and restraining order application bearing suit No. BKI-24NCVC-115-7/2024(HC5) at the hearing on 13 September 2024 with no order as to costs;
- (iii) Upon the execution of the Settlement Agreement and pending clearance of the post-dated cheques for the Settlement Sum, OTA shall have no further right to execute or enforce the Judgment and such relevant order for costs, except in the event of default by Pembinaan AJ; and
- (iv) Upon full payment of the Settlement Sum, the Judgment and such relevant order for costs shall be deemed to have been fully settled by Pembinaan AJ and thereafter, both parties shall fully release and discharge all rights and obligations against each other in respect of the Judgment and such relevant order for costs.

As at the LPD, Pembinaan AJ has complied with the terms of the Settlement Agreement.

Following the Settlement Agreement, Pembinaan AJ recognised a total expense amount of RM10.61 million in the FPE 2024 which comprises the following:

- RM7.36 million as cost of sales (being the full claim amount of RM15.75 million less an amount of RM8.38 million previously recognised in the FYE 2016 by Pembinaan AJ as its assessment of the value of work done by OTA) as construction cost; and
- RM3.25 million as interest expenses.

(ii) High Court Suit No. BKI-22NCvC-2/1-2020 (HC3): Pembinaan AJ (as Plaintiff) vs Malayan Banking Berhad ("MBB") (as Defendant)

In 2017, Borneo Highway PDP Sdn Bhd, a project delivery partner appointed by the Federal Government of Malaysia, awarded a construction contract to Pembinaan AJ for the construction of work package 6 of the Pan Borneo Highway. Following this, Pembinaan AJ had on 14 December 2017, entered into a joint arrangement with Kumpulan Liziz Sdn Bhd ("**Liziz**") to jointly execute the project, pursuant to which

14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)

Pembinaan AJ was entitled to receive 8% of the contract proceeds and Liziz was entitled to receive 92% of the remaining contract proceeds for works carried out by Liziz ("**Agreed Proportion**").

Following the above, Liziz secured a financing facility from MBB. As a condition of the financing facility, Pembinaan AJ executed certain security documents dated 4 January 2018 in favour of MBB including, third-party deed of assignment of contract proceeds, notice of assignment cum instruction, irrevocable letter of instruction and power of attorney (collectively, the "**Security Documents**"). The Agreed Proportion was set out in the irrevocable letter of instruction executed by Pembinaan AJ, which forms part of the Security Documents.

Subsequently, Liziz entered into financial difficulties, and on 25 July 2019, terminated the collaboration with Pembinaan AJ following which, Pembinaan AJ took over such works and continued to carry on the construction project. It was agreed between Pembinaan AJ and Liziz pursuant to the said letter dated 25 July 2019, that commencing from Progress Claim No. 17 onwards, the whole of the contract proceeds received from Borneo Highway PDP Sdn Bhd shall belong to Pembinaan AJ ("**Revised Agreed Proportion**"). The Revised Agreed Proportion was also subsequently communicated to MBB by Liziz via a letter of notification dated 23 August 2019. For information, Liziz has been wound up on 20 September 2021.

This construction project was terminated by Borneo Highway PDP Sdn Bhd vide their letter dated 22 July 2019 and was to take effect on 22 September 2019. This project was subsequently re-awarded to Pembinaan AJ by the Ministry of Works, Malaysia as the Pan Borneo Highway (WP06) Project vide their letter of award dated 2 December 2019.

On 9 December 2019, 2 March 2020 and 6 April 2020, Borneo Highway PDP Sdn Bhd made payments to MBB for certain progress claims amounting to RM465,100.00 and RM4,169,170.00 respectively. However, instead of releasing the full sums under these 2 progress claims to Pembinaan AJ in accordance with the Revised Agreed Proportion following the termination of the collaboration with Liziz, MBB had only paid a sum of RM37,208.00 from the payments from Borneo Highway PDP Sdn Bhd to Pembinaan AJ and the remaining sum of RM427,892.00 to Liziz, as per the Agreed Proportion.

On 3 January 2020, Pembinaan AJ commenced a civil action against MBB seeking amongst others:

- (i) a declaration that all the Security Documents executed by Pembinaan AJ in favour of MBB shall be null and void and of no effect; and
- (ii) an order that MBB pays to Pembinaan AJ the remaining balance under the progress payments amounting to RM4,597,062.00.

On 16 August 2022, the High Court dismissed the claim of Pembinaan AJ and awarded a cost of RM15,000.00 to MBB after a full trial. MBB had on 17 August 2022, released RM333,533.60 to Pembinaan AJ, in accordance with the terms of the Security Documents and alleged that instead of the full sums claimed by Pembinaan AJ as aforementioned, MBB was only required to pay this amount to Pembinaan AJ.

Following the decision of the High Court, our Group recognised an allowance for expected credit losses of RM4,263,528.40 for the FYE 2022, (being RM4,597,062.00 originally claimed by Pembinaan AJ from MBB less RM333,533.60 released by MBB to Pembinaan AJ) and following which, there is no further exposure to liability in relation to this suit.

14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**(iii) Court of Appeal of Malaysia (“COA”) Suit No. S-02(NCvC)(W)- 1742-09/2022: Pembinaan AJ (as Plaintiff) vs MBB (as Defendant)**

On 12 September 2022, Pembinaan AJ filed an appeal to the COA against the decision of the High Court as set out in item (ii) above. As at the LPD, a hearing for this matter has been fixed on 13 November 2024.

There is no exposure to liability as there is no counterclaim filed by MBB, save for order for costs as may be directed by the COA.

14.7 CONSENTS

The written consents of our Principal Adviser, Sole Underwriter, Sole Placement Agent, Financial Adviser, Solicitors, Company Secretaries, Issuing House and Share Registrar as set out in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name, Accountants' Report and Reporting Accountants' report on the compilation of the Pro Forma Statements of Financial Position, and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Infobusiness for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

14.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan during office hours for a period of 6 months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the IMR Report as set out in Section 8 of this Prospectus;
- (iii) the Reporting Accountants' Report on the Compilation of the Pro Forma Statements of Financial Position as set out in Section 12.14 of this Prospectus;
- (iv) Accountants' Report as set out in Section 13 of this Prospectus;
- (v) our material contracts as referred to in Section 14.5 above;
- (vi) the letters of consent referred to in Section 14.7 above;
- (vii) the audited financial statements of our Company from 16 June 2022 (date of incorporation) to 31 December 2022 and FYE 2023 as well as for the FPE 2024; and
- (viii) the audited financial statements of our Subsidiaries for the FYEs 2021, 2022 and 2023.

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15. SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 18 OCTOBER 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 24 OCTOBER 2024

In the event there is any change to the dates and/or times stated above, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspapers within Malaysia and make an announcement of such changes on Bursa Securities' website accordingly.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATION

15.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

| Types of Application and category of investors | Application method |
|---|--|
| Applications by Eligible Persons | Pink Application Form only |
| Applications by the Malaysian Public | |
| (i) Individuals | White Application Form or Electronic Share Application or Internet Share Application |
| (ii) Non-Individuals | White Application Form only |

The eligible person may still apply for our Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**15.2.2 Institutional Offering**

Malaysian institutional and selected investors being allocated our IPO Shares under the Institutional Offering will be contacted directly by the Placement Agent and will follow the instructions as communicated by the Placement Agent.

Malaysian institutional and selected investors may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15.3 ELIGIBILITY**15.3.1 General**

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:-

- (i) you must be one of the following:-
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) you must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iii) you must submit Applications by using only one of the following methods:
- (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

15.3.3 Application by Eligible Persons

The Eligible Persons (including any entities, wherever established) will be provided with Pink Application Forms and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.78 for each IPO Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. 782**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
 (Registration No. 197101000970 (11324-H))
 Unit 32-01, Level 32, Tower A
 Vertical Business Suite
 Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur

- (ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5.00 p.m. on 24 October 2024 or such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions or Participating Securities Firms, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, CGS International Securities Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd), Malacca Securities Sdn Bhd and Moomoo Securities Malaysia Sdn Bhd. A processing fee will be charged by the respective Internet Participating Financial Institutions or Participating Securities Firms (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions or Participating Securities Firms.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board, reserves the right to:-

- (i) reject Applications which:-
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

15.8 OVER / UNDER-SUBSCRIPTION

In the event of over-subscription for the Retail Offering, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tjih.online> within 1 business day after the balloting event.

Pursuant to the Listing Requirements, we are required to have a minimum of 25.0% of our Company's share capital to be held by at least 1,000 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation as set out in Section 4.3.4 of our Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Managing Underwriter and Underwriter based on the terms of the Underwriting Agreement.

15.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

15.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the National Registration Identity Card or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions or Participating Securities Firm of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution or Participating Securities Firm (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions or Participating Securities Firms (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution and Participating Securities Firm will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution and Participating Securities Firm will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:-

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.11 ENQUIRIES

Enquiries in respect of the Applications may be directed as follows:

| Mode of application | Parties to direct the enquiries |
|------------------------------|--|
| Application Form | Issuing House Enquiry Services at telephone no. +603-2783 9299 |
| Electronic Share Application | Participating Financial Institution |
| Internet Share Application | Internet Participating Financial Institution, Participating Securities Firm and Authorised Financial Institution |

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House's website at <https://tiih.online>, 1 Market Day after the balloting date.

You may also check the status of your Application at the above website, 5 Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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ANNEXURE A - MATERIAL PROPERTIES

1. Material properties owned by our Group

As at the LPD, the material properties owned by our Group are as follows:

| No. | Registered owner / Title / Postal address / Tenure | Description / Existing use | Express condition of land use / Category of land use / Restriction-in-interest | Encumbrances | Date of issuance of CCC / OC | Approximate land area / Approximate built-up area | NBV as at 30 June 2024 (RM'000) |
|-----|---|---|--|---|-------------------------------------|---|---------------------------------|
| 1. | <p>Registered owner: AJ Land</p> <p>Title: CL No. 015700777, 015700786, 015700795, 015700802, 015700811, 015700820, 015700839 and 015641193, Locality Inanam, District of Kota Kinabalu, Sabah</p> <p>Postal address: Lot 2A, 2B, 3A, 3B, 4A, 4B, Open Space 2A and 5, Kg Kapa, Jalan Tuaran, Inanam, 88450 Kota Kinabalu, Sabah</p> <p>Tenure: Leasehold of 99 years expiring on 1 September 2067, with a remaining tenure of approximately 43 years</p> | <p>Description: 8 contiguous parcels of subdivided industrial land</p> <p>Existing use: Vacant land</p> | <p>Express condition of land use: <u>Lot 2A, Lot 2B, Lot 3A, Lot 3B, Lot 4A, Lot 4B and Lot 5</u> Industrial building <u>Open Space 2A</u> Open space only</p> <p>Category of land use: <u>Lot 2A, Lot 2B, Lot 3A, Lot 3B, Lot 4A, Lot 4B and Lot 5</u> Industrial building</p> <p><u>Open Space 2A</u> Open space</p> <p>Restriction-in-interest: <u>Lot 2A, Lot 2B, Lot 3A, Lot 3B, Lot 4A, Lot 4B and Lot 5</u> (a) Transfer or sublease of this title is prohibited before fulfilment of the covenants in the title or without the written permission from the Director of Lands and Surveys Department who shall impose additional premium, enhanced rent and any other conditions thereof while granting such permission.</p> | <p>The subdivided lands were charged in favour of Ambank (M) Berhad vide memo no. MC2102010206 on 11 February 2011, MC1103010117 on 3 March 2011, MC1309010622 on 12 September 2013, MC2104010030 on 5 April 2021 and MC2103010433, MC2103010437, MC2103010438, MC2103010439, MC2103010440 and MC2103010441 on 24 March 2021 and they are still subsisting.</p> | <p>Not applicable⁽¹⁾</p> | <p>Land area: 3.436 acres</p> | <p>3,210</p> |

ANNEXURE A - MATERIAL PROPERTIES (CONT'D)

| No. | Registered owner / Title / Postal address / Tenure | Description / Existing use | Express condition of land use / Category of land use / Restriction- in-interest | Encumbrances | Date of issuance of CCC / OC | Approximate land area / Approximate built-up area | NBV as at 30 June 2024 (RM'000) |
|-----|---|-------------------------------|---|--------------|------------------------------------|--|---|
| | | | <p>(b) Subdivision of this title is prohibited without the written permission from the Director of Lands and Surveys who shall charge additional premium and enhanced rent and any other conditions thereof when granting such permission.</p> <p><u>Open Space 2A</u></p> <p>(a) Subdivision of this title is prohibited.</p> <p>(b) Transfer, sublease or charge of this title is prohibited except to the relevant authority or the title may be surrendered to the state government after the fulfilment of the owner covenants.</p> <p>(c) The state government reserves the right to acquire this land which in its opinion is necessary for any public purpose without payment of any compensation</p> | | | | |

ANNEXURE A - MATERIAL PROPERTIES (CONT'D)

| No. | Registered owner / Title / Postal address / Tenure | Description / Existing use | Express condition of land use / Category of land use / Restriction-in-interest | Encumbrances | Date of issuance of CCC / OC | Approximate land area / Approximate built-up area | NBV as at 30 June 2024 (RM'000) |
|-----|---|---|---|--------------|------------------------------------|--|---|
| 2. | <p>Registered owner: AJ Land/ Gen Sen Engineering Sdn Bhd</p> <p>Title: CL No. 015641237, 015641246, 015641255, 015641228, Locality Inanam, District of Kota Kinabalu, Sabah</p> <p>Postal address: CL No. 015641237 Road reserve, Kg Kapa, Jalan Tuaran, Inanam, 88450 Kota Kinabalu, Sabah</p> <p>CL No. 015641246 Drain reserve, Kg Kapa, Jalan Tuaran, Inanam, 88450 Kota Kinabalu, Sabah</p> <p>CL No. 015641255 Sub-station reserve, Kg Kapa, Jalan Tuaran, Inanam, 88450 Kota Kinabalu, Sabah</p> <p>CL No. 015641228 Open space, Kg Kapa, Jalan Tuaran, Inanam, 88450 Kota Kinabalu, Sabah</p> <p>Tenure: Leasehold of 99 years expiring on 1 September 2067, with a remaining tenure of approximately 43 years</p> | <p>Description: 4 contiguous parcels of subdivided industrial land</p> <p>Existing use: Vacant land</p> | <p>Express condition of land use: CL No. 015641237 Road reserve only</p> <p>CL No. 015641246 Drain reserve only</p> <p>CL No. 015641255 Sub-station reserve only</p> <p>CL No. 015641228 Open space only</p> <p>Category of land use: CL No. 015641237 Road reserve</p> <p>CL No. 015641246 Drain reserve</p> <p>CL No. 015641255 Sub-station reserve</p> <p>CL No. 015641228 Open space</p> <p>Restriction-in-interest: The state government reserves the right to acquire these lands which in its opinion is necessary for any public purpose without payment of any compensation</p> | NIL | Not applicable ⁽¹⁾ | Land area: 2.792 acres | - |

ANNEXURE A - MATERIAL PROPERTIES (CONT'D)

| No. | Registered owner / Title / Postal address / Tenure | Description / Existing use | Express condition of land use / Category of land use / Restriction-in-interest | Encumbrances | Date of issuance of CCC / OC | Approximate land area / Approximate built-up area | NBV as at 30 June 2024 (RM'000) |
|-----|---|---|--|--|------------------------------------|--|---|
| 3. | <p>Registered owner: AJ Land</p> <p>Title: CL No. 015046090, Locality Telipok, District of Kota Kinabalu, Sabah</p> <p>Postal address: Jln Tuaran KM 21.5, Telipok, 88450 Kota Kinabalu, Sabah</p> <p>Tenure: Leasehold of 999 years expiring on 31 December 2916, with a remaining tenure of approximately 892 years</p> | <p>Description: A parcel of commercial land</p> <p>Existing use: storage of machineries and equipment</p> | <p>Express condition of land use: Vacant land⁽²⁾</p> <p>Category of land use: Commercial mixed use</p> <p>Restriction-in-interest: NIL</p> | <p>(a) This land was charged in favour of CIMB Bank Berhad vide memo no. MC1812010502 on 28 December 2018 and MC2104010752 on 29 April 2021 and they are still subsisting.</p> <p>(b) A private caveat was entered by Gen Sen Engineering Sdn Bhd vide memo no. MC1812010501 on 20 December 2018 and it is still subsisting.</p> | Not applicable ⁽¹⁾ | Land area: 10.681 acres | 12,972 |

ANNEXURE A - MATERIAL PROPERTIES (CONT'D)

| No. | Registered owner / Title / Postal address / Tenure | Description / Existing use | Express condition of land use / Category of land use / Restriction-in-interest | Encumbrances | Date of issuance of CCC / OC | Approximate land area / Approximate built-up area | NBV as at 30 June 2024 (RM'000) |
|-----|--|--|--|---|------------------------------|---|---------------------------------|
| 4. | <p>Registered owner: AJ Properties</p> <p>Title: TL No. 017549674, Locality Jalan Istana, District of Kota Kinabalu, Sabah</p> <p>Postal address: No. 388, Jalan Istana, 88400 Kota Kinabalu, Sabah</p> <p>Tenure: Leasehold of 98 years expiring on 31 December 2109, with a remaining tenure of approximately 85 years</p> | <p>Description: A parcel of residential land with one bungalow house erected thereon</p> <p>Existing use: One bungalow house erected thereon which is vacant</p> | <p>Express condition of land use: Dwelling house</p> <p>Category of land use: Dwelling house</p> <p>Restriction-in-interest: (a) Transfer, sublease or charge of this title is prohibited without the written permission from the Director of Lands and Surveys Department who shall impose additional premium, enhanced rent and any other conditions thereof when granting such permission.</p> <p>(b) Subdivision of this title is prohibited without the written permission from the Director of Lands and Surveys who shall impose additional premium, enhanced rent and any other conditions thereof when granting such permission.</p> | <p>(a) This land was charged in favour of CIMB Bank Berhad vide memo no. MC2310010365 on 14 October 2023 and it is still subsisting.</p> <p>(b) A private caveat was entered by AJ Properties vide memo no. MC2210010018 on 4 October 2022 and is still subsisting.</p> | 08.06.2023 | <p>Land area: 1.817 acres</p> | 10,749 |

Notes:

- (1) As at the LPD, no OC/CCC is required as no building has been erected on this land.
- (2) As at the LPD, the individual title of this property has yet to be issued. The land details (i.e. land area, tenure and special terms) are based on the master title under which the property is held.

ANNEXURE A - MATERIAL PROPERTIES (CONT'D)

2. Material properties rented by / from our Group

| No. | Tenant / Landlord | Postal address | Description / Existing use | Period of tenancy or lease | Date of issuance of CCC / OC | Approximate built-up area | Rental per annum (RM) |
|-----|---|--|--|--|------------------------------|--------------------------------------|---|
| 1. | Tenant: AJ Properties Landlord: Jayawanto Sdn Bhd | No. 7, Ground floor, 1 st floor and 2 nd floor Kolam Centre Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah | Description: 3-storey intermediate terrace shop office Existing use: Corporate office of our Group | 01.01.2024 to 31.12.2026 | 17.12.1992 | Built-up area: 3,600 sq ft | 108,000.00 |
| 2. | Tenant: AJ Land and AJ Properties Landlord: Kok Yuk Ming and Chin Giok Ching | No. 8, Ground floor, 1 st floor and 2 nd floor Kolam Centre Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah | Description: 3-storey intermediate terrace shop office Existing use: Corporate office of our Group | <u>Ground floor</u> 01.12.2023 to 30.11.2028 1 st floor 01.07.2024 to 30.06.2027 2 nd floor 01.04.2024 to 31.03.2027 | 17.12.1992 | Built-up area: 3,600 sq ft | <u>Ground floor:</u> 51,600.00 1 st floor: 33,600.00 2 nd floor: 21,000.00 |
| 3. | Tenant: AJ Properties and AJ Land Landlord: Jayawanto Sdn Bhd | No. 9, Ground floor, 1 st floor and 2 nd floor Kolam Centre Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah | Description: 3-storey intermediate terrace shop office Existing use: Corporate office of our Group | 01.01.2023 to 31.12.2025 | 17.12.1992 | Built-up area: 3,600 sq ft | <u>Ground floor:</u> 60,000.00 1 st and 2 nd floor: 48,000.00 |
| 4. | Tenant: AJ Properties Landlord: Chin Tsiew Wen @ Chin Tsiew Yun | No. 6, 2 nd floor, Jalan Kolam Centre 1, Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah | Description: 1 floor of a 3-storey intermediate terrace shop office Existing use: Corporate office of our Group | 01.03.2021 to 28.02.2026 | 17.12.1992 | Built-up area: 1,200 sq ft | 21,600.00 |

ANNEXURE A - MATERIAL PROPERTIES (CONT'D)

| No. | Tenant / Landlord | Postal address | Description / Existing use | Period of tenancy or lease | Date of issuance of CCC / OC | Approximate built-up area | Rental per annum (RM) |
|-----|--|---|---|----------------------------|------------------------------|--------------------------------------|-----------------------|
| 5. | <p>Tenant: AJ Properties</p> <p>Landlord: Jet-Liner Travel Sdn Bhd</p> | No. 10, 2 nd floor, Kolam Centre, Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah | <p>Description: 1 floor of a 3-storey corner terrace shop office</p> <p>Existing use: Corporate office of our Group</p> | 01.09.2024 to 31.08.2026 | 17.12.1992 | Built-up area: 1,246 sq ft | 20,400.00 |

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ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS

Details of the major licenses, permits and approvals obtained by our Group for our business operations and status of compliance are as follows:

| No. | Approving authority / issuer | Type of licenses / permits / approvals | License / Permit / Reference no. | Date of issuance / validity period | Major conditions imposed | Status of compliance |
|-----|------------------------------|--|----------------------------------|------------------------------------|--------------------------|----------------------|
| 1. | <u>Pembinaan AJ</u> CIDB | <p>Certificate of registration pursuant to Part VI of the CIDB 1994 in respect of:</p> <p>Grade G7 – Category B B01: IBS: Prefabricated concrete system B02: IBS: Steel frame system B04: Construction work on buildings B10: Internal plumbing system B12: Glass installation B13: Tile installation B14: Paint work B19: IBS: Formwork system B22: IBS: Block system B24: Building maintenance</p> <p>Grade G7 – Category CE CE01: Road and pavement construction CE02: Bridge and jetty construction CE03: Marine structure CE10: Piling works CE13: Signage installation CE19: Sewerage system CE20: Water supply system CE21: General civil engineering works CE23: Pre-stressing and post tensioning works CE30: Soil stabilization works CE31: Underground cable path structure works CE34: Precast concrete installation works CE36: Earthworks CE42: Water reservoir construction CE43: Road furniture</p> | 1961111-SB013566 | 24.10.2023 | See Note (1) | Noted and complied |
| | | <p>Validity period: 24.10.2023 to 12.02.2027</p> | | | | |

ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS (CONT'D)

| No. | Approving authority / issuer | Type of licenses / permits / approvals | License / Permit / Reference no. | Date of issuance / validity period | Major conditions imposed | Status of compliance |
|-----|---|---|--|--|---|--|
| | | Grade G7 – Category ME M01: Air-conditioning and circulation systems M15: Miscellaneous mechanical equipment M19: Plant equipment installation | | | | |
| 2. | CIDB | SPKK Certificate in respect of Grade G7, Categories B, CE and ME | Registration no.: 1961111-SB013566 | Date of issuance: 28.10.2023 Validity period: 28.10.2023 to 12.02.2027 | (a) This license is non-transferrable; and (b) See Note (2) below. | Noted Noted |
| 3. | PUKONSA | Certificate of registration | Registration no.: KEW:600-1/1/5253 | Date of issuance: 29.07.2024 Validity period: 09.09.2024 to 08.09.2026 | (a) This license is non-transferrable; and (b) See Note (3) below. | Noted Noted |
| 4. | Ministry of Entrepreneur Development and Cooperatives | Certificate of Status of Bumiputera in respect of: Grade G7 – Category B B01: IBS: Prefabricated concrete system B02: IBS: Steel frame system B04: Construction work on buildings B10: Internal plumbing system B12: Glass installation B13: Tile installation B14: Paint work B19: IBS: Formwork system B22: IBS: Block system B24: Building maintenance | Registration no.: 1961111-SB013566 | Date of issuance: 15.11.2023 Validity period: 15.11.2023 to 12.02.2027 | (a) At least 51% of the shareholders of Pembinaan AJ shall hold a Bumiputera status; (b) At least 51% of the directors of Pembinaan AJ shall hold a Bumiputera status; and (c) The key position such as the chief executive and manager shall be held by an individual with a Bumiputera status | Complied Complied Complied |

ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS (CONT'D)

| No. | Approving authority / issuer | Type of licenses / permits / approvals | License / Permit / Reference no. | Date of issuance / validity period | Major conditions imposed | Status of compliance |
|-----|------------------------------|---|----------------------------------|---|--------------------------|----------------------|
| | | Grade G7 – Category CE CE01: Road and pavement construction CE02: Bridge and jetty construction CE03: Marine structure CE10: Piling works CE13: Signage installation CE19: Sewerage system CE20: Water supply system CE21: General civil engineering works CE23: Pre-stressing and post tensioning works CE30: Soil stabilization works CE31: Underground cable path structure CE34: Precast concrete installation works CE36: Earthworks CE42: Water reservoir construction CE43: Road furniture | | | | |
| | | Grade G7 – Category ME M01: Air-conditioning and circulation systems M15: Miscellaneous mechanical equipment M19: Plant equipment installation | | | | |
| 5. | Kota Kinabalu City Council | Trading license in respect of the business premise at No. 7, Jalan Kolam Centre 1, Hilltop, 88300 Kota Kinabalu, Sabah | License no.: 774558 | Date of issuance: 18.12.2023 | Nil | N/A |
| | | | | Validity period: 18.12.2023 to 31.12.2024 | | |

ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS (CONT'D)

| No. | Approving authority / issuer | Type of licenses / permits / approvals | License / Permit / Reference no. | Date of issuance / validity | Major conditions imposed | Status of compliance |
|----------------------|------------------------------|---|---|--|--------------------------|----------------------|
| AJ Land | | | | | | |
| 1. | CIDB | Certificate of registration pursuant to Part VI of the CIDB Act 1994 in respect of: Grade G7 – Category B B04: Construction work on buildings Grade G7 – Category CE CE21: Civil engineering construction Grade G7 – Category ME M15: Miscellaneous mechanical equipment | Registration no.: 0120230823-SB123508 | Date of issuance: 23.08.2023 Validity period: 23.08.2023 to 22.08.2025 | See Note (1) | Noted and complied |
| 2. | Kota Kinabalu City Council | Trading license in respect of the business premise at Ground Floor, Lot 8, Kolam Centre Luyang, Hiltop, 88450 Kota Kinabalu, held under CL.015497453, District of Sabah | License no.: 774548 | Date of issuance: 18.12.2023 Validity period: 18.12.2023 to 31.12.2024 | Nil | N/A |
| AJ Properties | | | | | | |
| 1. | CIDB | Certificate of registration pursuant to Part VI of the CIDB Act 1994 in respect of: Grade G7 – Category B B04: Construction work on buildings Grade G7 – Category CE CE21: Civil engineering construction Grade G7 – Category ME M15: Miscellaneous mechanical equipment | Registration no.: 0120180724-SB014521 | Date of issuance: 06.06.2024 Validity period: 06.06.2024 to 15.06.2025 | See Note (1) | Noted and complied |

ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS (CONT'D)

| No. | Approving authority / issuer | Type of licenses / permits / approvals | License / Permit / Reference no. | Date of issuance / validity | Major conditions imposed | Status of compliance |
|---------------------|------------------------------|---|---|--|--------------------------|----------------------|
| 2. | Kota Kinabalu City Council | Trading license in respect of the business premise at Shoplot No. 9, 1 st Floor & 2 nd Floor, Kolum Centre, Off Jalan Lintas Luyang, 88300 Kota Kinabalu, Sabah | License no.: 776453 | Date of issuance: 21.12.2023 Validity period: 21.12.2023 to 31.12.2024 | Nil | N/A |
| Kolopis Jaya | | | | | | |
| 1. | CIDB | Certificate of registration pursuant to Part VI of the CIDB Act 1994 in respect of: Grade G7 – Category B B04: Construction work on buildings Grade G7 – Category CE CE21: Civil engineering construction Grade G7 – Category ME M15: Miscellaneous mechanical equipment | Registration no.: 0120200505- SB046218 | Date of issuance: 26.09.2022 Validity period: 26.09.2022 to 23.09.2025 | See Note (1) | Noted and complied |
| 2. | Kota Kinabalu City Council | Trading license in respect of the business premise at No 7, Lrg Kolum Centre 1, Hilltop, 88300 Kota Kinabalu, Sabah | License no.: 774557 | Date of issuance: 18.12.2023 Validity period: 18.12.2023 to 31.12.2024 | Nil | N/A |

Notes:

(1) The major conditions imposed by CIDB on Pembinaan AJ, AJ Land, AJ Properties and Kolopis Jaya for their certificates of registration are as follows:

(i) General Conditions

1. This certificate is non-transferable.
2. CIDB reserves the right to review the registration grade of the Pembinaan AJ, AJ Land, AJ Properties and Kolopis Jaya from time to time.

ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS (CONT'D)

(ii) Responsibilities and Obligations of Pembinaan AJ, AJ Land, AJ Properties and Kolopsis Jaya

1. Pembinaan AJ, AJ Land, AJ Properties and Kolopsis Jaya shall comply to the provisions of the CIDB Act 1994, the rules and regulations made thereunder and any terms, conditions or restrictions imposed by CIDB from time to time.
2. Pembinaan AJ, AJ Land, AJ Properties and Kolopsis Jaya shall not participate in any tender or perform any construction work after the expiry of the certificate of registration unless it is renewed.
3. Pembinaan AJ, AJ Land, AJ Properties and Kolopsis Jaya shall not undertake any construction project that exceeds the value of the work construction specified under the grade that they are registered under and shall not carry out any project construction outside their registered category.
4. Pembinaan AJ, AJ Land, AJ Properties and Kolopsis Jaya shall furnish information relating to the construction work(s) or contract(s) within 14 days from the award or the commencement of such construction work(s), whichever is earlier.
5. Pembinaan AJ, AJ Land, AJ Properties and Kolopsis Jaya shall submit any information required by the CIDB from time to time.
6. Pembinaan AJ, AJ Land, AJ Properties and Kolopsis Jaya shall display their respective certificate of registration, either original or a copy of the same, at their respective places of business.
7. Pembinaan AJ, AJ Land, AJ Properties and Kolopsis Jaya shall display their respective registration numbers on the signboards at each of their construction sites.
8. Pembinaan AJ, AJ Land, AJ Properties and Kolopsis Jaya shall submit the application for renewal of the certificate of registration sixty (60) days before the expiry date specified on their respective certificate of registration.
9. Pembinaan AJ, AJ Land, AJ Properties and Kolopsis Jaya shall comply to all the conditions set out in CIDB's Code of Ethics for Contractors.
10. Pembinaan AJ, AJ Land, AJ Properties and Kolopsis Jaya shall appoint skilled construction workers and site supervisors accredited and certified by CIDB.
11. All workers of Pembinaan AJ, AJ Land, AJ Properties and Kolopsis Jaya at the construction site must have a valid construction personnel card.

ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS (CONT'D)

(iii) Disciplinary Actions

The registration of Pembinaan AJ, AJ Land, AJ Properties or Kolopis Jaya shall be cancelled or suspended if:

1. Pembinaan AJ, AJ Land, AJ Properties or Kolopis Jaya fails to comply with the requirements of any other written law.
2. Pembinaan AJ, AJ Land, AJ Properties or Kolopis Jaya has been adjudicated bankrupt.
3. Pembinaan AJ, AJ Land, AJ Properties or Kolopis Jaya has been served a winding up petition.
4. Pembinaan AJ, AJ Land, AJ Properties or Kolopis Jaya contravenes or fails to comply with any of the provisions of the CIDB Act 1994.
5. Pembinaan AJ, AJ Land, AJ Properties or Kolopis Jaya has obtained the certificate of registration by making or causing to be made any false or fraudulent declaration, certification or representation either in writing or otherwise.
6. Pembinaan AJ, AJ Land, AJ Properties or Kolopis Jaya has abandoned any construction work(s) undertaken without any reasonable cause.
7. Pembinaan AJ, AJ Land, AJ Properties or Kolopis Jaya is found guilty by the court or by any investigative body(ies) established under any written law in connection with any construction work(s) undertaken.
8. Pembinaan AJ, AJ Land, AJ Properties or Kolopis Jaya contravenes any of the terms and conditions of its responsibilities and obligations as set out in Note (1)(ii) above.

(2) The major conditions imposed by CIDB on Pembinaan AJ for its SPKK Certificate are as follows:

(i) General Conditions

1. This certificate is issued based on information provided by Pembinaan AJ.
2. This certificate may not be used as a certification to start or undertake construction work. This certificate may only be used to participate in work procurement for the Government of Malaysia or agencies of the Government of Malaysia.
3. This certificate will automatically be terminated if the certificate of registration issued by CIDB to Pembinaan AJ has expired or has been cancelled, withdrawn or suspended pursuant to Regulation 15 of the Registration of Contractors (Construction Industry) Regulations 1995 ("**Regulation 1995**").
4. Pembinaan AJ shall submit this certificate with the certificate of registration issued by CIDB to it to participate in tender for the Government of Malaysia or agencies of the Government of Malaysia.
5. Pembinaan AJ shall renew this certificate together with the certificate of registration issued by CIDB to it.

ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS (CONT'D)

(ii) Responsibilities of Pembinaan AJ

1. Pembinaan AJ shall not lend, lease, transfer, permit or cause this certificate to be used by someone who has not been named in this certificate for the purpose of procuring work from the Government of Malaysia.
2. Pembinaan AJ shall not participate in any tender or carry out any construction work(s) upon expiration of this certificate unless the same has been renewed.
3. Only officers of Pembinaan AJ whose names are stated in this certificate are authorised to sign offer documents and attend site visits for polling, quoting and tender. Pembinaan AJ shall not authorise officers whose names are not stated in this certificate for the above purposes.
4. Pembinaan AJ shall ensure that all terms and conditions to obtain this certificate are complied with at all times throughout the validity of this certificate.
5. Pembinaan AJ shall inform CIDB of any change(s) of information within 30 days of such change(s).
6. Pembinaan AJ shall comply to all instructions and principles issued by the Government of Malaysia via the treasury instructions and circulars issued by CIDB from time to time.

(iii) Disciplinary Actions

1. Pembinaan AJ will be subject to the disciplinary actions as set out in Regulation 15 of the Regulation 1995 for failure to comply with any of the responsibilities and obligations as set out in Note (2)(ii) above.
2. CIDB has the right to take disciplinary action and impose any appropriate punishment(s) on Pembinaan AJ.
3. Should Pembinaan AJ be blacklisted or its certificate be suspended, revoked or withdrawn following the disciplinary proceedings, Pembinaan AJ shall not participate in any tender or be involved in any work(s) procured by the Government of Malaysia within the prescribed period.
4. Should Pembinaan AJ be blacklisted or its certificate be suspended, revoked or withdrawn, Pembinaan AJ shall be removed from the register of CIDB. Pembinaan AJ shall be required to comply with the terms and conditions of the issuance of the SPKK Certificate for new applicants in the event Pembinaan Azam Jaya is desirous to obtain the SPKK Certificate. The officers of Pembinaan AJ who are blacklisted shall be barred from obtaining the SPKK Certificate for a period of 3 years.
5. Should Pembinaan Azam Jaya be blacklisted or its certificate be suspended following the disciplinary proceedings will not be removed from the register of CIDB. Pembinaan Azam Jaya shall only be allowed to participate in any tender or procuring work from the Government of Malaysia following the completion of the period of blacklist or suspension of its certificate.

ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS (CONT'D)

(3) The major conditions imposed by Ministry of Finance of the State of Sabah on Pembinaan AJ for its registration with PUKONSA are as follows:

(i) General Conditions

1. The approval for the application for registration with PUKONSA by Pembinaan AJ is premised on the information provided by Pembinaan AJ.
2. Pembinaan AJ shall inform PUKONSA of any change(s) made in the information provided for its registration with PUKONSA, if any, within 21 days of such change(s). Pembinaan AJ shall be subject to disciplinary actions as set out in item 1 of Paragraph (iv) of the Disciplinary Action Procedure of the Terms and Conditions of Registration issued by PUKONSA for failure to inform PUKONSA of such change(s).
3. Pembinaan AJ shall deliver all information requested by PUKONSA within the specified period. Failure to do so will result in its application for registration with PUKONSA to not be processed.
4. Only the authorised officers of Pembinaan AJ as set out in its certificate of registration are allowed to sign on contractual documentations and receive or empower its employees to procure form(s) of offer.

(ii) Responsibilities of Pembinaan AJ

1. Pembinaan AJ shall not to participate in any tender/ quotation upon the lapse of the validity period of its registration as set out in its certificate of registration until renewal of the same have been made.
2. Submission of application for renewal of the certificate of registration by Pembinaan AJ shall be made 3 months prior to the expiration of the validity period of its registration as set out in its certificate of registration.
3. Application for the renewal of the certificate of registration of Pembinaan AJ received 6 months after the validity period of the same will be considered as a new application and Pembinaan AJ will be subjected to the processing fees and registration fees in full.

(iii) Tender Qualifications

1. Contractors for Supply and Services

Quotations may only be submitted by Pembinaan AJ for construction work(s) in the same district/ area as the district/ area where Pembinaan AJ has registered itself in. Should the first quotation submitted by Pembinaan AJ receives bids from less than 5 companies, then the second quotation can be submitted by a contractor registered in the bordering district/ area as the area of the work/ project. If the second quotation still receive bids from less than 5 companies, then the third quotation can be submitted by contractors registered throughout Sabah.

ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS (CONT'D)

(iv) Disciplinary Action Procedures Against Companies According to the Types of Offence

| No. | Types of Offences | Disciplinary Action | | |
|-----|--|--|--|---|
| | | First Offence | Second Offence | Third Offence |
| 1. | Forging of the certificate of registration and/ or change of information/ document(s) for the purpose of participating in tender(s) or to procure contract(s) | Suspension of Pembinaan AJ's certificate of registration for 2 years | Suspension of Pembinaan AJ's certificate of registration for 5 years | Cancellation of Pembinaan AJ's certificate of registration. Pembinaan AJ will not be allowed to re-register with PUKONSA. |
| 2. | Withdrawal of Pembinaan AJ within the validity period of the tender(s) participated in | Suspension of Pembinaan AJ's certificate of registration for 1 year | Suspension of Pembinaan AJ's certificate of registration for 2 years | Cancellation of Pembinaan AJ's certificate of registration. Pembinaan AJ will not be allowed to re-register with PUKONSA |
| 3. | Withdrawal of Pembinaan AJ upon being granted a contract | Suspension of Pembinaan AJ's certificate of registration for 2 years | Suspension of Pembinaan AJ's certificate of registration for 5 years | Cancellation of Pembinaan AJ's certificate of registration. Pembinaan AJ will not be allowed to re-register with PUKONSA |
| 4. | Pembinaan AJ sub-contract the contract(s) obtained without the consent of the officer in charge or the project director of the project procured | Suspension of Pembinaan AJ's certificate of registration for 2 years | Suspension of Pembinaan AJ's certificate of registration for 5 years | Cancellation of Pembinaan AJ's certificate of registration. Pembinaan AJ will not be allowed to re-register with PUKONSA. |
| 5. | Failure by Pembinaan AJ to comply with the contractual obligations and responsibilities (Non-Performance) as set out in the reports/recommendations issued by the implementing agency(ies) | Suspension of Pembinaan AJ's certificate until clearance in writing has been issued by the implementing agency | Suspension of registration | Cancellation of Pembinaan AJ's certificate of registration. Pembinaan AJ will not be allowed to re-register with PUKONSA |
| 6. | Termination by Pembinaan AJ for contract(s) for construction work(s) procured by way of Quotation & Requisition (Voting Work) | Suspension of Pembinaan AJ's certificate for 1 year | Suspension of registration | Suspension of Pembinaan AJ's certificate of registration. Pembinaan AJ will not be allowed to re-register with PUKONSA |

ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS (CONT'D)

| No. | Types of Offences | Disciplinary Action | | |
|-----|---|---|--|--|
| | | First Offence | Second Offence | Third Offence |
| 7. | Termination for contract(s) for construction work(s) by way of tender by Pembinaan AJ | Suspension of Pembinaan AJ's certificate of registration for 2 years | Suspension of Pembinaan AJ's certificate of registration for 5 years | Cancellation of Pembinaan AJ's certificate of registration. Pembinaan AJ will not be allowed to re-register with PUKONSA |
| 8. | Intentional participation by Pembinaan AJ in projects granted by the Government of Malaysia during the period of suspension | (i) Forfeiture of Pembinaan AJ's certificate of registration. (ii) The board of directors/ owners of Pembinaan AJ will be blacklisted for a period of 3 years by PUKONSA. | | |
| 9. | Other offences committed by Pembinaan AJ in respect to the terms of the offer and terms of the contract for work(s) | <p>Note: The board of directors/ owners of Pembinaan AJ may submit for a fresh application for the certificate of registration upon the expiration of the prescribed period of disciplinary action as stated herein in Item ii</p> <p>Warning</p> | | |
| 10. | The owners of Pembinaan AJ who has been adjudicated bankrupt | Suspension of Pembinaan AJ's certificate of registration until its owners has been discharged from being bankrupt by the relevant laws of bankruptcy | | |
| 11. | For cases that has been referred to by the relevant authorities i.e. the Malaysian Anti-Corruption Commission and the prosecutors | The punishment is subject to the discretion of the relevant authorities | | |