



AZAM JAYA

AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT
FOR THE SECOND QUARTER ENDED 30 JUNE 2024**



AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

AZAM JAYA

COMBINED STATEMENTS OF COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2024⁽¹⁾

	Individual Quarter 3 Months Ended		Cumulative Quarter 6 Months Ended	
	30.06.2024 (RM'000)	⁽²⁾ 30.06.2023 (RM'000)	30.06.2024 (RM'000)	⁽²⁾ 30.06.2023 (RM'000)
Revenue	75,036	N/A	148,824	N/A
Cost of sales	(55,097)	N/A	(110,213)	N/A
Gross profit	19,939	N/A	38,611	N/A
Other operating income	368	N/A	826	N/A
Administrative expenses	(7,937)	N/A	(19,618)	N/A
Profit from operations	12,370	N/A	19,819	N/A
Finance income	181	N/A	683	N/A
Finance costs	(5,841)	N/A	(7,910)	N/A
Net finance costs	(5,660)	N/A	(7,227)	N/A
Profit before tax	6,710	N/A	12,592	N/A
Income tax expense	(2,063)	N/A	(4,770)	N/A
Net profit/Total comprehensive income for the period	4,647	N/A	7,822	N/A
Net profit/Total comprehensive income attributable to:				
Owners of the Company	4,647	N/A	7,822	N/A
Non-controlling Interests	-	N/A	-	N/A
	4,647	N/A	7,822	N/A
Earnings per share				
Basic and diluted⁽³⁾ (sen)	0.93	N/A	1.56	N/A

Notes:

- (1) The combined statements of comprehensive income should be read in conjunction with the Accountants' Report disclosed in the prospectus of Azam Jaya Berhad ("**Azam Jaya**" or the "**Company**") dated 18 October 2024 ("**Prospectus**") and the accompanying explanatory notes attached to the interim financial report.
- (2) No comparative figures for the preceding year corresponding quarter and cumulative quarter are presented as this is the first interim financial report on the combined results for the second quarter ended 30 June 2023 announced by the Company in compliance with the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**").
- (3) Based on the enlarged total number of 500,000,000 shares in issue after the initial public offering of the Company on the Main Market of Bursa Securities ("**IPO**").

N/A Not applicable.



AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

AZAM JAYA

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024⁽¹⁾

	Audited 30.06.2024 (RM'000)	Audited 31.12.2023 (RM'000)
Non current assets		
Property, plant and equipment	58,895	53,125
Right of use assets	23,059	29,451
Investment property	1,669	1,687
Inventories	3,210	3,210
Trade receivables	1,500	1,500
Total non-current assets	88,333	88,973
Current assets		
Inventories	9,280	9,280
Trade receivables	80,937	43,257
Other receivables, deposits and prepayments	23,678	33,712
Contract assets	129,259	77,639
Contract costs	3,148	6,377
Tax recoverable	1,255	578
Fixed deposits with licensed banks	49,627	49,274
Cash and bank balances	1,068	29,691
Total current assets	298,252	249,808
Total assets	386,585	338,781
Equity		
Invested equity	6,800	6,800
Retained profits	89,771	81,949
Total equity	96,571	88,749
Non current liabilities		
Term loans	21,428	23,872
Lease liabilities	4,866	6,338
Deferred tax liabilities	13,010	10,621
Trade payables	19,078	24,147
Total non-current liabilities	58,382	64,978



AZAM JAYA

AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024⁽¹⁾ (CONT'D)

	Audited 30.06.2024 (RM'000)	Audited 31.12.2023 (RM'000)
Current liabilities		
Trade payables	38,297	37,289
Other payables and accruals	5,891	4,476
Dividend payable	-	8,557
Contract liabilities	32,376	18,046
Borrowings	145,276	103,821
Lease liabilities	8,081	9,482
Tax payable	1,711	3,383
Total current liabilities	231,632	185,054
Total liabilities	290,014	250,032
Total equity and liabilities	386,585	338,781
Net assets per share⁽²⁾ (RM)	0.19	0.18

Notes:

- (1) The combined statements of financial position should be read in conjunction with the Accountants' Report disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
- (2) Based on the enlarged total number of 500,000,000 shares in issue after the IPO.

COMBINED STATEMENTS OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2024⁽¹⁾

	Invested equity (RM'000)	Retained profits (RM'000)	Total equity (RM'000)
At 1 January 2024	6,800	81,949	88,749
Net profit/Total comprehensive income for the period	-	7,822	7,822
At 30 June 2024	6,800	89,771	96,571

Note:

- (1) The Combined Statements of Changes in Equity should be read in conjunction with the Accountants' Report disclosed in the Prospectus and the accompanying explanatory notes attached to the interim financial report.



AZAM JAYA

AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

COMBINED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2024⁽¹⁾

	Audited 1.01.2024 to 30.06.2024 (RM'000)	Unaudited 1.01.2023 to 30.06.2023⁽²⁾ (RM'000)
Cash flows from/(used in) operating activities		
Profit before tax	12,592	N/A
Adjustments for:		
Depreciation	5,362	N/A
Gain on disposals of right of use assets	(69)	N/A
Interest expense	7,910	N/A
Interest income	(683)	N/A
Operating profit before working capital changes	25,112	N/A
Changes in contract assets/liabilities – net	(37,290)	N/A
Decrease in contract costs	3,229	N/A
Increase in trade and other receivables	(31,171)	N/A
Decrease in trade and other payables	(6,899)	N/A
Cash generated used in operations	(47,019)	N/A
Income tax paid	(4,731)	N/A
Net cash used in operating activities	⁽³⁾(51,750)	N/A
Cash flows from/(used in) investing activities		
Interest received	683	N/A
Repayments from companies in which certain directors have interest	3,526	N/A
Purchase of plant and equipment	(1,958)	N/A
Purchase of right of use assets	(129)	N/A
Proceeds from disposal of right of use assets	180	N/A
Increase in fixed deposits with initial maturity of more than 3 months	(29)	N/A
Net cash from investing activities	2,273	N/A
Cash flows from/(used in) financing activities		
Interest paid	(4,656)	N/A
Dividend paid	(8,557)	N/A
Increase in fixed deposits pledged	(323)	N/A
Proceeds from		
- lease liabilities	442	N/A
- trust receipts	65,777	N/A
- revolving credits	24,980	N/A
Repayments of		
- lease liabilities	(5,063)	N/A
- term loans	(2,264)	N/A
- trust receipts	(75,541)	N/A
Net cash used in financing activities	(5,205)	N/A



AZAM JAYA

AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

COMBINED STATEMENTS OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2024⁽¹⁾ (CONT'D)

	Audited 1.01.2024 to 30.06.2024 (RM'000)	Unaudited 1.01.2023 to 30.06.2023 ⁽²⁾ (RM'000)
Net decrease in cash and cash equivalents	(54,682)	N/A
Cash and cash equivalents at beginning of period	3,263	N/A
Cash and cash equivalents at end of period	(51,419)	N/A
Cash and cash equivalents comprise:		
Cash and bank balances	1,068	N/A
Fixed deposits with licensed banks	49,627	N/A
Bank overdrafts	(52,487)	N/A
	(1,792)	N/A
Less:		
- Fixed deposits with initial maturity of more than 3 months	(1,423)	N/A
- Fixed deposits pledged with licensed bank	(48,204)	N/A
	(49,627)	N/A
	(51,419)	N/A

Notes:

- (1) The audited combined statements of cash flows should be read in conjunction with the Accountants' Report disclosed in the Prospectus and the accompanying explanatory notes attached to the interim financial report.
- (2) No comparative figures for the preceding year cumulative quarter are presented as this is the first interim financial report on the combined results for the second quarter ended 30 June 2024 announced by the Company in compliance with the Listing Requirements.
- (3) The Group recorded net cash used in operating activities of RM51.75 million for the second quarter ended 30 June 2024 was mainly due to an increase in contract assets and trade receivables as at 30 June 2024 of RM51.62 million and RM37.68 million, respectively. Nevertheless, as disclosed in the Prospectus, as at 20 September 2024, the Group had collected RM75.88 million of the trade receivables outstanding as at 30 June 2024.

N/A Not applicable.



AZAM JAYA

AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

NOTES TO THE INTERIM FINANCIAL REPORT

A1. BASIS OF PREPARATION

The interim financial report of Azam Jaya and its subsidiaries (collectively, the “Group”) is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements.

This is the first interim financial report on the Company’s combined results for the second quarter ended 30 June 2024 announced in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding year’s corresponding period. This interim financial report should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus of Azam Jaya dated 18 October 2024 and the accompanying explanatory notes attached to this interim financial report.

A2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 December 2023 except for the adoption of the following new accounting standards, amendments and interpretation:

Title

Amendments to MFRS 107 and MFRS 7 - Supplier Finance Arrangements
Amendments to MFRS 16 - Lease Liability in a Sale and Leaseback
Amendments to MFRS 101 – Non-current liabilities and Covenants

The adoption of the above new and amendment to MFRSs and IC Interpretations do not have a material impact on the financial statements of the Group.

The Group has not applied in advance the following accounting standards and interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board but are not yet effective for the current financial period:

Title

Effective Date

Amendments to MFRS 9 and MFRS 7 - Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to MFRS 10 and MFRS 128 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice
MFRS 18 – Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19 – Subsidiaries without Public Accountability: Disclosure	1 January 2027
Amendments to MFRS 121 – Lack of Exchangeability	1 January 2025



AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

AZAM JAYA

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A3. AUDITORS' REPORT

There was no qualification on the audited combined financial statements of the Group for the financial year ended 31 December 2023.

A4. SEASONAL OR CYCLICAL FACTORS

The business operations of the Group were not affected by any seasonal or cyclical trend.

A5. MATERIAL UNUSUAL ITEMS

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current quarter and cumulative quarter ended 30 June 2024 except for the recognition of RM10,618,708 liability arising from the settlement of a litigation as disclosed in Note B9 (ii).

A6. MATERIAL CHANGES IN ESTIMATES

There were no changes in estimates of amounts reported that have a material effect in the current quarter and cumulative quarter ended 30 June 2024.

A7. DEBTS AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities in the current quarter and cumulative quarter ended 30 June 2024.

A8. DIVIDEND

There was no dividend declared in the current quarter and cumulative quarter ended 30 June 2024.

A9. SEGMENTAL INFORMATION

Information about operating segment has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely construction services.

The business activities of the Group are all located in Malaysia and as such segmental reporting by geographical location is not presented.



AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A10. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE QUARTER

Save as disclosed in the note on the Status of Corporate Proposals, there were no other material events subsequent to the end of the current quarter and cumulative quarter ended 30 June 2024 that have not been reflected in the interim financial report.

A11. CHANGES IN THE COMPOSITION OF THE GROUP

There were no changes in the composition of the Group during the current quarter and cumulative quarter ended 30 June 2024.

In conjunction with the IPO, the Company had on 30 September 2024 completed the acquisition of the following:

- (i) the entire equity interests in Pembinaan Azam Jaya Sdn Bhd (“**PAJ**”) comprising 5,000,000 ordinary shares for a purchase consideration of RM49,705,340 which was satisfied by way of issuance of 49,705,340 new ordinary shares in the Company at an issue price of RM1.00 each to the existing shareholders of PAJ;
- (ii) the entire equity interests in Azam Jaya Properties Sdn Bhd (“**AJP**”) comprising 800,000 ordinary shares for a purchase consideration of RM12,039,034 which was satisfied by way of issuance of 12,039,034 new ordinary shares in the Company at an issue price of RM1.00 each to the existing shareholders of AJP; and
- (iii) the entire equity interests in Kolopis Jaya Sdn Bhd (“**KJ**”) comprising 1,000,000 ordinary shares for a purchase consideration of RM9,925,429 which was satisfied by way of issuance of 9,925,429 new ordinary shares in the Company at an issue price of RM1.00 each to the existing shareholders of KJ.

A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no material contingent liabilities or contingent assets as at the date of this interim financial report.

A13. MATERIAL CAPITAL COMMITMENT

The Group does not have any material capital commitment as at the date of this interim financial report.



AZAM JAYA

AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A14. SIGNIFICANT RELATED PARTY TRANSACTIONS

The significant related party transactions of the Group are as follows:

	Individual Quarter		Cumulative Quarter	
	30.06.2024	30.06.2023 ⁽¹⁾	30.06.2024	30.06.2023 ⁽¹⁾
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Related parties:				
- Rental payable	54	N/A	108	N/A

Notes:

(1) No comparative figures for the preceding year corresponding quarter and cumulative quarter are presented as this is the first interim financial report on the combined results for the second quarter ended 30 June 2024 announced by the Company in compliance with the Listing Requirements.

N/A Not applicable.

The related party transactions described above were carried out in the ordinary course of business and have been established under negotiated and mutually agreed terms.

A15. DERIVATIVES

There were no derivatives used in the current quarter and cumulative quarter ended 30 June 2024.

A16. FAIR VALUE OF FINANCIAL LIABILITIES

There were no gains or losses arising from fair value changes of the Group's financial liabilities for the current quarter and cumulative quarter ended 30 June 2024.

(The rest of this page is intentionally left blank)



AZAM JAYA

AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS

B1. PERFORMANCE REVIEW

The Group's performance for the current quarter and cumulative quarter ended 30 June 2024 are tabled below:

	Individual Quarter		Cumulative Quarter	
	Unaudited 30.06.2024 (RM'000)	Unaudited 30.06.2023 ⁽¹⁾ (RM'000)	Audited 30.06.2024 (RM'000)	Unaudited 30.06.2023 ⁽¹⁾ (RM'000)
Revenue	75,036	N/A	148,824	N/A
Gross profit ("GP")	19,939	N/A	38,611	N/A
Profit before taxation ("PBT")	6,710	N/A	12,592	N/A
GP margin	26.57	N/A	25.94	N/A
PBT margin	8.94	N/A	8.46	N/A

Notes:

- (1) No comparative figures for the preceding year corresponding quarter and cumulative quarter are presented as this is the first interim financial report on the combined results for the second quarter ended 30 June 2024 announced by the Company in compliance with the Listing Requirements.

N/A Not applicable.

Commentaries

The Group recorded revenue, GP and PBT of RM148.82 million, RM38.61 million and RM12.59 million, respectively for the cumulative quarter under review. The revenue of the Group mainly comprises construction activities from eight (8) construction projects as at 30 June 2024 of RM146.83 million and sale of ready-mixed concrete and asphalt premix of RM1.99 million.

The Group's GP and PBT were impacted by the settlement agreement entered into between OTA Tunnel Squad Sdn Bhd and the Group dated 9 September 2024 as further elaborated in Note B9(ii) below ("**OTA Settlement**"). Pursuant to the OTA Settlement, the Group recognised a total expense of RM10.61 million in the second quarter ended 30 June 2024 comprising RM7.36 million as cost of sales and RM3.25 million as interest expenses.

For information purpose, excluding the OTA Settlement, the GP and PBT of the Group would have been RM45.97 million and RM23.20 million, respectively.

B2. COMPARISON WITH IMMEDIATE PRECEDING QUARTER RESULTS

This is the first interim financial report on the combined results being announced by the Company in compliance with the Listing Requirements. As such, there are no comparative figures for the immediate preceding quarter.



AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

AZAM JAYA

EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B3. PROSPECTS

The Group is currently managing nine (9) ongoing construction projects (a new project was being awarded after the reporting quarter), boasting an unbilled contract value (order book) of RM1.45 billion. This order book is expected to sustain our earnings and cash flow up to the financial year ending 2028 (FYE2028). Our primary focus remains on the execution and completion of these ongoing infrastructure construction projects.

In light of the recent Malaysia 2025 budget, where the Prime Minister emphasized the need for the Sabah government to promptly and efficiently address the state's infrastructure issues, the increased budget allocation of RM6.7 billion to Sabah underscores the government's commitment to infrastructure development in the state.

The Group is particularly optimistic about the potential for more road infrastructure projects. We aim to secure future phases of the Pan Borneo Highway Project, as well as other rural road projects, to further enhance our portfolio and contribute to the state's development.

B4. PROFIT FORECAST

The Group did not issue any revenue or profit estimate, forecast, projection or internal targets in any announcement or public document.

B5. TAXATION

The Group's taxation together with the comparison between the effective and statutory tax rates for the current quarter and cumulative quarter ended 30 June 2024 are as follows:

	Individual Quarter		Cumulative Quarter	
	Unaudited 30.06.2024 (RM'000)	Unaudited 30.06.2023 ⁽¹⁾ (RM'000)	Audited 30.06.2024 (RM'000)	Unaudited 30.06.2023 ⁽¹⁾ (RM'000)
Income tax expenses				
Current year	1,520	N/A	1,814	N/A
Under-provision in prior years	567	N/A	567	N/A
	<u>2,087</u>	<u>N/A</u>	<u>2,381</u>	<u>N/A</u>
Deferred tax				
Current year	361	N/A	2,774	N/A
Over-provision in prior years	(385)	N/A	(385)	N/A
	<u>(24)</u>	<u>N/A</u>	<u>2,389</u>	<u>N/A</u>
Total tax expense	<u>2,063</u>	<u>N/A</u>	<u>4,770</u>	<u>N/A</u>
Effective tax rate (%)	30.75	N/A	37.88	N/A
Statutory tax rate (%)	24.00	N/A	24.00	N/A



AZAM JAYA

AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B5. TAXATION (CONT'D)

Notes:

(1) No comparative figures for the preceding year corresponding quarter and cumulative quarter are presented as this is the first interim financial report on the combined results for the second quarter ended 30 June 2024 announced by the Company in compliance with the Listing Requirements.

N/A Not applicable.

The 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 and non tax-deductible expenses of which mainly arising from interest restriction, depreciation of non-qualifying property, plant and equipment, donations and entertainment as well as professional and legal fees.

B6. STATUS OF CORPORATE PROPOSALS

On 18 October 2024, the Company issued the Prospectus in relation to the IPO comprising the public issue of 78,800,000 new ordinary shares in Azam Jaya ("**Issue Share**") ("**Public Issue**") and the offer for sale of 50,000,000 existing ordinary shares in Azam Jaya ("**Offer Share**") at an issue/offer price of RM0.78 per Issue Share/Offer Share. The listing of and quotation for the Company's entire issued share capital on the Main Market of Bursa Securities ("**Listing**") is expected to be on 11 November 2024.

Save as disclosed above, there were no other corporate proposals announced by the Company but not completed as at the date of this interim financial report.

B7. UTILISATION OF PROCEEDS FROM THE PUBLIC ISSUE

The gross proceeds from the Public Issue amounting to approximately RM61.46 million is expected to be utilised in the following manner:

Details of use of proceeds		Estimated timeframe	RM'000	%
		for use from the date of our Listing		
(i)	Enhance our construction capabilities	Within 36 months	8,000	13.01
(ii)	Working capital for our construction projects	Within 12 months	28,400	46.21
(iii)	Repayment of bank borrowings	Within 6 months	20,000	32.54
(iv)	Estimated listing expenses	Within 3 months	5,064	8.24
Total			61,464	100.00

The utilisation of the proceeds as disclosed above should be read in conjunction with the Prospectus.



AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

AZAM JAYA

EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B8. BORROWINGS

The borrowings of the Group as at 30 June 2024 are as follows:

	As at 30 June 2024		
	Current	Non-current	Total
	(RM'000)	(RM'000)	(RM'000)
Secured:			
Term loans	4,859	21,428	26,287
Hire purchase liabilities	7,808	4,455	12,263
Revolving credits	59,981	-	59,981
Bank overdrafts	52,487	-	52,487
Trust receipts	27,949	-	27,949
	153,084	25,883	178,967

The above borrowings are denominated in Ringgit Malaysia.

B9. MATERIAL LITIGATION

Save as disclosed below, the Group is not engaged in any material litigation or arbitration proceedings, either as plaintiff or defendant, and the Directors are not aware of any proceedings pending or threatened against the Group, which may materially and adversely affect the financial position or business performance of the Group as at the date of this interim financial report.

- (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 ("**JV Agreement**"). Under the JV 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 JV 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.



AZAM JAYA

AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B9. MATERIAL LITIGATION (CONT'D)

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 expected credit losses 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.

- (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.

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.



AZAM JAYA

AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B10. EARNINGS PER SHARE (“EPS”)

The basic and diluted EPS for the current quarter and financial period is computed as follows:

	6-month financial period ended 30 June 2024	6-month financial period ended 30 June 2023⁽¹⁾
	(RM'000)	(RM'000)
Profit after tax (RM'000)	7,822	N/A
Number of ordinary shares in issue ('000)	500,000	N/A
Basic EPS ⁽²⁾ (sen)	1.56	N/A
Diluted EPS ⁽³⁾ (sen)	1.56	N/A

Notes:

- (1) No comparative figures for the preceding year cumulative quarter are presented as this is the first interim financial report on the combined results for the second quarter ended 30 June 2024 announced by the Company in compliance with the Listing Requirements.
- (2) Basic EPS is calculated by dividing the profit attributable to owners of the parent by the Company's enlarged total number of 500,000,000 shares after the IPO.
- (3) Diluted EPS is equivalent to the basic EPS as the Company does not have any convertible securities as at the end of the financial period under review.
- N/A Not applicable.



AZAM JAYA

AZAM JAYA BERHAD

Registration No. 202201021432 (1467129-U)
(Incorporated in Malaysia under the Companies Act, 2016)

EXPLANATORY NOTES PURSUANT TO PART A, APPENDIX 9B OF THE LISTING REQUIREMENTS (CONT'D)

B11. PROFIT BEFORE TAXATION

The Group's profit before taxation was arrived at after charging/(crediting):

	6-month financial period ended 30 June 2024	6-month financial period ended 30 June 2023⁽¹⁾
	(RM'000)	(RM'000)
Interest income	(683)	N/A
Hiring charges income	(344)	N/A
Income arising from lease	(50)	N/A
Interest expense on:		
- borrowings	4,239	N/A
- lease liabilities	417	N/A
- compensatory damages	3,254	N/A
Depreciation of:		
- investment property	19	N/A
- property, plant and equipment	2,900	N/A
- right of use assets	2,444	N/A
Gain on disposal of right of use assets	(69)	N/A

Notes:

(1) No comparative figures for the preceding year cumulative quarter are presented as this is the first interim financial report on the combined results for the second quarter ended 30 June 2024 announced by the Company in compliance with the Listing Requirements.

N/A Not applicable.

B12. AUTHORISED FOR ISSUE

This interim financial report was authorised for issue by the Board of Directors on 7 November 2024.