

## **ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES**

The following is an overview of the material laws and regulations that are relevant to the conduct of our Group's business operations. The following does not purport to be an exhaustive description of all laws and regulations of which our business is subject to.

### **(a) Housing Development (Control and Licensing) Act 1966 ("HDA") and Housing Development (Control and Licensing) Regulations 1989 ("HDA Regulations")**

The HDA provides for control and licensing of housing development in Peninsular Malaysia, the protection of the interest of purchasers and related matters.

#### **Housing developer licence**

Section 5 of the HDA stipulates that no housing development shall be engaged in, carried on, undertaken or caused to be undertaken except by a housing developer in possession of a licence issued under the HDA. Except with the written consent of the Controller of Housing ("**Controller**"), no housing developer other than a licensed housing developer shall assume or use in relation to his business or any part of his business the words "housing developer" or any of its derivatives or any other word(s) indicating the carrying on of the business of housing development.

Any housing developer who contravenes the above shall be guilty of an offence and shall be liable on conviction to a fine which shall not be less than RM250,000 but which shall not exceed RM500,000 or to imprisonment for a term not exceeding 5 years or to both.

#### **Advertisement and sale permit**

Regulation 5 of the HDA Regulations stipulates that no advertisement or sale shall be made by any housing developer without an advertisement and sale permit having first been obtained from the Controller. Any person who contravenes the regulation shall be guilty of an offence and shall be liable on conviction to a fine not exceeding RM50,000 or to a term of imprisonment not exceeding 5 years or to both.

#### **Collection of booking fees**

Regulation 11(2) of the HDA Regulations stipulates that no person including parties acting as stakeholders shall collect any payment by whatever name called except as prescribed by the contract of sale, which is the SPA prescribed under the HDA Regulations. Any person who contravenes the regulation shall be guilty of an offence and shall be liable on conviction to a fine not exceeding RM50,000 or to a term of imprisonment not exceeding 5 years or to both.

Panglima Juara, Laman Exotika, Hektar Berlian and our property agencies collected booking fees or earnest deposits, which are not prescribed by the contract of sale, from purchasers for some of our housing developments before August 2023. We were not aware of the prohibition of collection of booking fees and such restriction was brought to the attention of our Group during the due diligence conducted by our solicitors for the purposes of our IPO. Upon being aware of the prohibition, our Group ceased to collect booking fees or earnest deposits since August 2023 and we sent written notice to our property agencies in August 2023 to instruct them to cease collection of booking fees or earnest deposits from August 2023 onwards. Going forward, we and our property agencies will not be collecting booking fees or earnest deposits in contravention of the HDA Regulations for the sale of our property units before execution of SPAs.

The potential maximum penalty for the non-compliance under the HDA Regulations is a financial penalty of RM150,000 (based on the maximum financial penalty of RM50,000 which may be imposed on each of the relevant Subsidiaries upon conviction) and a term of imprisonment of each director of the relevant Subsidiaries of not exceeding 5 years.

We have not experienced any material adverse impact on our business operations or financial performance, and we have not been imposed with any penalties by the relevant authority as at the LPD arising from the above non-compliance with the HDA and its regulations.

## ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)

### (b) Town and Country Planning Act 1976 ("TCPA")

The TCPA provides for proper control and regulation of town and country planning in Peninsular Malaysia and related matters.

Section 19 of the TCPA states that no person, other than a local authority, shall commence, undertake, or carry out any development unless planning permission in respect of the development has been granted to him under the TCPA. Under Section 26(1)(b), a person who, permits to be carried out, any development in contravention of Section 19 of the TCPA commits an offence and is liable, on conviction, to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding 2 years or to both and, in the case of a continuing offence, to a further fine which may extend to RM5,000 for each day during which the offence continues after the first conviction for the offence.

We have not experienced any material adverse impact on our business operations or financial performance, and we have not been imposed with any penalties by the relevant authority as at the LPD arising from the non-compliance with the TCPA as set out below:

#### **Concrete batching plant erected within Land PT 9226**

One of our Subsidiaries, Dayang Gemilang had granted tenancy and right of access to a concrete batching plant operator to erect a concrete batching plant on Dayang Gemilang's land held under HS(D) 80921, PT 9226, Section 11, in Bandar Lunas, District of Kulim, State of Kedah ("**Land PT 9226**"). We are not aware of the breach under the TCPA and such breach was only brought to our attention during the due diligence conducted by our solicitors for the purposes of our IPO. The said concrete batching plant operator had erected the concrete batching plant without planning permission from the local authority since July 2020.

Pursuant to the terms of the respective tenancy and right of access agreements, Dayang Gemilang served a 6 months' notice in March 2023 to terminate the tenancy agreement and 3 months' notice in September 2023 to terminate the right of access agreement unless the concrete batching plant operator provided the required approvals from the local authority. The tenancy agreement and the right of access agreement were terminated in September 2023 and December 2023 respectively because the concrete batching plant operator was unable to obtain the necessary approval.

Dayang Gemilang served a further notice in January 2024 to the said concrete batching plant operator to instruct the latter to vacate Land PT 9226 by February 2024. The said concrete supplier required additional time until March 2024 to vacate and deliver vacant possession, which Dayang Gemilang granted on a goodwill basis. The concrete batching plant operator has ceased its operation of the concrete batching plant on Land PT 9226 and delivered vacant possession to Dayang Gemilang in March 2024.

The potential maximum penalty for the non-compliance under the TCPA is a financial penalty of RM500,000 on Dayang Gemilang upon conviction and a term of imprisonment of each director of Dayang Gemilang not exceeding 2 years. We made an enquiry with Majlis Perbandaran Kulim and they verbally confirmed that it is unlikely that penalty will be imposed as the non-compliance had been rectified.

#### **Batching plant erected on Lot 654, Alor Gajah, Melaka**

One of our Subsidiaries, Modal Cergas has granted tenancy to a company which is in the business of manufacturing and trading of ready-mix concrete products on a portion of the land owned by Modal Cergas held under Geran 12690, Lot 654, Mukim Parit Melana, District of Alor Gajah, State of Melaka ("**Tenanted Area**"). We are not aware of the breach under the TCPA and such breach was only brought to our attention during the due diligence conducted by our solicitors for the purposes of our IPO. The tenant has erected a batching plant on the Tenanted Area without planning permission from the local authority since 2019.

## **ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

Pursuant to the terms of the tenancy agreement, Modal Cergas served a 2 months' notice in May 2024 to terminate the tenancy agreement. As at the LPD, notwithstanding the notice period has expired, the tenant has not delivered vacant possession of the Tenanted Area. On 31 July 2024, Modal Cergas via its solicitors served a further notice to notify the tenant that the tenancy agreement has ended on 20 July 2024 and the tenant is to deliver vacant possession of the Tenanted Area by 5 August 2024.

The tenant requires additional time until end of August 2024 to vacate and deliver vacant possession of the Tenanted Area which Modal Cergas has granted on a goodwill basis. The tenant has delivered the vacant possession of the Tenanted Area on 13 August 2024 and our Group has rectified the non-compliance matter.

The potential maximum penalty for the non-compliance under the TCPA is a financial penalty of RM500,000 on Modal Cergas upon conviction and a term of imprisonment of each director of Modal Cergas not exceeding 2 years. We made an enquiry with Majlis Perbandaran Alor Gajah and they verbally confirmed that it is unlikely that penalty will be imposed as the non-compliance had been rectified.

### **Employees' accommodation and amenities and temporary buildings on land held by our Group under Geran 88851, Lot 2086, in the Mukim of Kluang, District of Kluang, State of Johor**

One of our Subsidiaries, Hektar Berlian which is the landowner and developer of the development of Taman Akasia in Kluang, Johor, has erected accommodation and amenities for employees employed by subcontractors of our Group and temporary buildings on a piece of land held by Hektar Berlian under Geran 88851, Lot 2086, in the Mukim of Kluang, District of Kluang, State of Johor ("**Lot 2086**") since May 2023 prior to obtaining planning permission. In September 2023, Hektar Berlian received a supporting letter from Majlis Perbandaran Kluang for the erection of employees' accommodation and amenities and temporary buildings on Lot 2086, which we initially understood that it was an approval. However, it was brought to our attention during the due diligence conducted by our solicitors for the purposes of our IPO that such supporting letter was not considered as an approval. In this regard, Hektar Berlian has submitted application for the planning permission in February 2024. Majlis Perbandaran Kluang issued the planning permission in June 2024.

The potential maximum penalty for the non-compliance under the TCPA is a financial penalty of RM500,000 on Hektar Berlian upon conviction and a term of imprisonment of each director of Hektar Berlian not exceeding 2 years. We made an enquiry with Majlis Perbandaran Kluang and they verbally confirmed that it is unlikely that penalty will be imposed as the non-compliance had been rectified.

### **Sales gallery located at DT 465, Jalan Nuri 29, Taman Nuri Fasa 3, 76100 Durian Tunggal, Melaka**

One of our Subsidiaries, Laman Exotika had not obtained a planning permission prior to erecting a temporary sales gallery on the land located at DT 465, Jalan Nuri 29, Taman Nuri Fasa 3, 76100 Durian Tunggal, Melaka in November 2017. We are not aware of the breach under the TCPA and such breach was only brought to our attention during the due diligence conducted by our solicitors for the purposes of our IPO. Laman Exotika had demolished its sale gallery in November 2023.

The potential maximum penalty for the non-compliance under the TCPA is a financial penalty of RM500,000 on Laman Exotika upon conviction and a term of imprisonment of each director of Laman Exotika not exceeding 2 years. We made an enquiry with Majlis Perbandaran Alor Gajah and they verbally confirmed that it is unlikely that penalty will be imposed as the non-compliance had been rectified.

**ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

**(c) Street, Drainage and Building Act 1974 ("SDBA") and Uniform Building By-Laws 1984 ("UBBL")**

The SDBA regulates street, drainage and building in local authority areas in Peninsular Malaysia and related matters.

Sections 70(1) and 70(2) of the SDBA stipulate that no person shall erect any building without the prior written permission of the local authority and submission of the required plans to the local authority. By-Law 19 of the UBBL further provides that a temporary permit may be issued by the local authority for the erection of a temporary building. Section 70(13)(c) of the SDBA provides that any person who erects a building in contravention of SDBA or of any by-laws made thereunder (including the UBBL) shall be liable on conviction to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 3 years or to both and shall also be liable to a further fine of RM1,000 for every day during which the offence is continued after conviction. Our Group has not been convicted of any offence under the SDBA and UBBL and the non-compliance has been rectified before any potential conviction. As such, the daily fine to be imposed for the continued offence after the conviction is not applicable.

We have not experienced any material adverse impact on our business operations or financial performance, and we have not been imposed with any penalties by the relevant authority as at the LPD arising from the non-compliance with the SDBA and UBBL as set out below:

**Employees' accommodation and amenities and temporary buildings on land held by our Group under Geran 88851, Lot 2086, in the Mukim of Kluang, District of Kluang, State of Johor**

One of our Subsidiaries, Hektar Berlian which is the landowner and developer of the development of Taman Akasia in Kluang, Johor, has erected accommodation and amenities for employees employed by subcontractors of our Group and temporary buildings on a piece of land held by Hektar Berlian under Lot 2086 since May 2023 prior to obtaining a temporary building permit. In September 2023, Hektar Berlian received a supporting letter from Majlis Perbandaran Kluang for the erection of employees' accommodation and amenities and temporary buildings on Lot 2086, which we initially understood that it was an approval. However, it was brought to our attention during the due diligence conducted by our solicitors for the purposes of our IPO that such supporting letter was not considered as an approval. In this regard, Hektar Berlian has submitted application for the temporary building permit in February 2024. Majlis Perbandaran Kluang has approved and issued the temporary building permit on 19 August 2024.

The potential maximum penalty for the non-compliance under the SDBA is a financial penalty of RM50,000 on Hektar Berlian upon conviction (not taking into account the penalty for continuing offence which may be subject to a further fine of RM1,000 for every day during which the offence is continued after conviction) and a term of imprisonment of each director of Hektar Berlian not exceeding 3 years. We made an enquiry with Majlis Perbandaran Kluang and they verbally confirmed that it is unlikely that penalty will be imposed as the non-compliance had been rectified.

**Sales gallery located at DT 465, Jalan Nuri 29, Taman Nuri Fasa 3, 76100 Durian Tunggal, Melaka**

One of our Subsidiaries, Laman Exotika did not have a temporary building permit for its temporary sales gallery on the land located at DT 465, Jalan Nuri 29, Taman Nuri Fasa 3, 76100 Durian Tunggal, Melaka since the erection of the sales gallery in November 2017. We are not aware of the breach under the SDBA and such breach was only brought to our attention during the due diligence conducted by our solicitors for the purposes of our IPO. Laman Exotika had demolished its sale gallery in November 2023.

## **ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

The potential maximum penalty for the non-compliance under the SDBA is a financial penalty of RM50,000 on Laman Exotika upon conviction and a term of imprisonment of each director of Laman Exotika not exceeding 3 years. We made an enquiry with Majlis Perbandaran Alor Gajah and they verbally confirmed that it is unlikely that penalty will be imposed as the non-compliance had been rectified.

### **(d) EMSHAA and EMSHAA Regulations**

The EMSHAA and its regulations prescribe the minimum standards of accommodations for employees and matters incidental thereto.

Section 24F of the EMSHAA and Regulation 3 of the EMSHAA Regulations stipulate that any accommodation provided for employees shall comply with the minimum standards required under the EMSHAA and the EMSHAA Regulations. An employer under the EMSHAA who contravenes such provision shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 and to a further fine not exceeding RM1,000 a day for each day during which the offence continues.

Section 24D of the EMSHAA further states that no accommodation shall be provided to an employee unless it is certified with a certificate for accommodation. An employer who fails to obtain the certificate for accommodation is liable to a fine not exceeding RM50,000 on conviction.

An employer is required under Section 24E of the EMSHAA to inform the Director General of Labour of such occupation within 30 days from the date an accommodation is occupied by his employee. An employer who fails to give notice of occupation within the stipulated timeline is liable to a fine not exceeding RM10,000 on conviction.

We have not experienced any material adverse impact on our business operations or financial performance, and we have not been imposed with any penalties by the relevant authority as at the LPD arising from the non-compliance with the EMSHAA and its regulations as set out below:

#### **Employees' accommodation located at Bandar Lunas, Kulim, Kedah**

One of our Subsidiaries, SPBSB, who is the main contractor appointed by our Group to carry out project management responsibilities for the development of Taman La Casa Lunas in Kulim, Kedah, provided accommodation to employees employed by subcontractors of our Group on a piece of land owned by our Group under HS(D) 80920, PT 9225, Bandar Lunas, District of Kulim, State of Kedah, namely the Initial Kulim Accommodation, since September 2021 prior to obtaining a certificate for accommodation. We are not aware of the breach under the EMSHAA and such breach was only brought to our attention during the due diligence conducted by our solicitors for the purposes of our IPO. SPBSB failed to give notice of occupation to the Director General of Labour within 30 days from the date the accommodation was occupied.

SPBSB has since then provided another accommodation for employees employed by subcontractors of our Group on Land PT 9226, namely the New Kulim Accommodation, which complies with the requirements under the EMSHAA and EMSHAA Regulations. SPBSB has obtained the certificate for accommodation for the New Kulim Accommodation in February 2024. SPBSB has relocated the employees employed by subcontractors of our Group from the Initial Kulim Accommodation to the New Kulim Accommodation in February 2024 and informed the Director General of Labour of the occupation of the New Kulim Accommodation in March 2024 in accordance with Section 24E of the EMSHAA.

In August 2024, SPBSB has obtained a certificate for accommodation for the Initial Kulim Accommodation. As at the LPD, no employees are occupying the Initial Kulim Accommodation.

**ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)****Employees' accommodation located at Taman Akasia in Kluang, Johor**

SPBSB, who is the main contractor appointed by our Group to carry out project management responsibilities for the development of Taman Akasia in Kluang, Johor, also provided accommodation to employees employed by our subcontractors on a piece of our land held under Geran 86370, Lot 1691, Mukim Kluang, District of Kluang, State of Johor ("**Initial Kluang Accommodation**") since February 2023 prior to obtaining a certificate for accommodation. We are not aware of the breach under the ESMHAA and such breach was only brought to our attention during the due diligence conducted by our solicitors for the purposes of our IPO. SPBSB failed to give notice of occupation to the Director General of Labour within 30 days from the date the accommodation was being occupied.

SPBSB has since then provided another accommodation for employees employed by our subcontractors on a piece of our land held under Lot 2086 ("**New Kluang Accommodation**") which complies with the requirements under the ESMHAA and ESMHAA Regulations. SPBSB has obtained the certificate for accommodation for the New Kluang Accommodation in October 2023. SPBSB has relocated the employees employed by our subcontractors from the Initial Kluang Accommodation to the New Kluang Accommodation in October 2023. SPBSB gave a notice of occupation to the Director General of Labour in November 2023 ("**First Notice**") within the 30-day period stipulated under Section 24E of the ESMHAA. However, the date of occupation provided by SPBSB in the First Notice was incorrect. Upon realising the error, SPBSB gave a corrected notice of occupation to the Director General of Labour in December 2023, which exceeded the 30-day period as stipulated under Section 24E of the ESMHAA. SPBSB had demolished the Initial Kluang Accommodation in January 2024.

The potential maximum penalty for past non-compliance in respect of failure to (1) ensure the Initial Kulim Accommodation and Initial Kluang Accommodation comply with the minimum standards required under the ESMHAA and ESMHAA Regulations; and (2) obtain certificate for accommodation and notify the Director General of Labour of the occupation of accommodation in respect of the Initial Kulim Accommodation and Initial Kluang Accommodation in accordance with the ESMHAA; and (3) notify the Director General of Labour of the occupation of accommodation in respect of the New Kluang Accommodation within the stipulated timeline in accordance with the ESMHAA is RM230,000 (not taking into account the penalty for continuing failure to ensure the Initial Kulim Accommodation and Initial Kluang Accommodation comply with the minimum standards which may be subject to a further fine not exceeding RM1,000 a day for each day during which the offence continues). We made an enquiry with the Ministry of Human Resources and they verbally confirmed that it is unlikely that penalty will be imposed as the non-compliances had been rectified.

**(e) Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 ("CIDB Act")**

The CIDB Act regulates, amongst others, the registration of contractors and construction personnel.

Section 25 of the CIDB Act stipulates that no person shall carry out or complete, undertake to carry out or complete any construction work or hold himself out as a contractor, unless he is registered with CIDB and holds a valid certificate of registration issued by CIDB under the CIDB Act.

Contravention of Section 25 is an offence, and the offender shall, on conviction, be liable to a fine of not less than RM10,000 but not more than RM100,000.

Laman Exotika (the developer) and SPBSB (the main contractor) have entered into contracts and variation orders in relation to construction work to develop projects of our Group.

Pursuant to the CIDB Act, SPBSB as a contractor, is required to pay levy for contracts having a contract sum of above RM500,000 to the CIDB.

## **ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

SPBSB paid the levy imposed on the variation orders to the principal contracts after the prescribed period by the CIDB for the following development projects:

- (i) Taman La Casa Lunas Phase 2B (known as Taman La Casa Lunas Phase 4A);
- (ii) Taman La Casa Lunas Phase 2D (known as Taman La Casa Lunas Phase 4C); and
- (iii) Taman La Casa Lunas Phase 2E (known as Taman La Casa Lunas Phase 4D).

The non-compliance in respect of the delay in payment of levy for the variation orders was due to an error by the issuing bank, which incorrectly stated the name of the payee on the bank cheque intended for CIDB, causing the bank cheque to be rejected during the bank clearance process. This error was subsequently rectified.

The potential maximum penalty for non-compliance is a financial penalty of RM150,000 on SPBSB (based on RM50,000 for each of the development projects).

We have not experienced any material adverse impact on our business operations or financial performance, and we have not been imposed with any penalties by the relevant authority as at the LPD arising from the above non-compliance with CIDB Act. Further, we made an enquiry with CIDB and they verbally confirmed that it is unlikely that CIDB will take further action or penalty.

### **(f) Local Government Act 1976 ("LGA")**

The LGA sets out the powers for local councils to grant licences or permits for any trade, occupation, or premises in the local authority areas through by-laws.

The LGA provides that every person who is guilty of any offence against the LGA 1976 or any by-laws, rules or regulations for which no penalty is expressly provided shall on conviction be liable to a fine not exceeding RM2,000 or to imprisonment of a term not exceeding 1 year or to both.

Our Group's operations are governed and regulated by the by-laws of the respective local councils and authorities under which our business fall under.

### **Licensing of Trades (Alor Gajah Municipal Council) By-Laws 2010 ("Alor Gajah By-Laws")**

By-Law 3 of the Alor Gajah By-Laws stipulates that no person shall operate any activity of trade or use any place or premise in the local area of the Alor Gajah Municipal Council without a licence issued by the council. Any person who contravenes such provision commits an offence and shall, on conviction be liable to a fine not exceeding RM2,000 or imprisonment for a term not exceeding 1 year or both.

One of our Subsidiaries, Laman Exotika had not obtained business premise licence for its sales gallery located at DT 465, Jalan Nuri 29, Taman Nuri Fasa 3, 76100 Durian Tunggal, Melaka since the erection of the sales gallery in November 2017. The non-compliance was due to our oversight in obtaining the business premise licence. Laman Exotika had demolished its sales gallery and ceased to carry out business activity at DT 465, Jalan Nuri 29, Taman Nuri Fasa 3, 76100 Durian Tunggal, Melaka in November 2023.

The potential maximum penalty for the non-compliance under the Alor Gajah By-Laws is a financial penalty of RM2,000 on Laman Exotika upon conviction and imprisonment of each director of Laman Exotika for a term not exceeding 1 year.

We have not experienced any material adverse impact on our business operations or financial performance, and we have not been imposed with any penalties by the relevant authority as at the LPD arising from above the non-compliance with the Alor Gajah By-Laws. Further, we made an enquiry with Majlis Perbandaran Alor Gajah and they verbally confirmed that it is unlikely that penalty will be imposed as the non-compliance had been rectified.

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**ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

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**(g) National Land Code (“NLC”)**

We are governed by the NLC, an Act which deals with land tenure, registration of titles relating to land, transfer of land, leases and charges in respect of land, and easements and other rights and interests in land in respect of the lands in Peninsular of Malaysia and Federal Territory of Labuan.

Section 104 of the NLC stipulates that every condition or restriction in interest shall run with the land to which it relates and shall bind the proprietor thereof for the time being and every person or body having or claiming any interest in the land. Any breach of condition to which any alienated land is being subject may result in the land become liable to forfeiture to the State Authority or a fine of not less than RM500 and in the case of continuing breach, a further fine of not less than RM100 for each day during which the breach continues.

**(h) Strata Management Act 2013 (“SMA”)**

The SMA regulates, amongst others, maintenance and management of buildings and common property by developer before establishment of management corporation and other related matters.

Section 6(1) of the SMA stipulates that a developer of any building or land intended for subdivision into parcels in a development area shall not sell any parcel or proposed parcel unless a schedule of parcels showing the proposed share units of each parcel or proposed parcel and the total share units of all the parcels has been filed with the Commissioner of Buildings. Any developer who fails to comply with Section 6(1) commits an offence and shall, on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding 5 years or to both.

We had not filed a schedule of parcels before the commencement of the Taman Nuri Phase 1B sale in August 2016. We had in October 2016 filed the schedule of parcels to the Commissioner of Buildings and the Commissioner of Buildings had in January 2017 certified the schedule of parcels filed. The non-compliance was due to the miscommunication between the relevant departments on the timeline to file the schedule of parcel to the Commissioner of Buildings and the execution of the SPAs.

In addressing this non-compliance incident, our Group had in July 2024 implemented a compliance monitoring checklist. This checklist forms part of our Group's Compliance Monitoring Framework which was approved by our Board and implemented in July 2024. The checklist is monitored on a weekly basis by our Compliance Officer and will be signed off by the relevant heads of departments to ensure clear and timely communication between the relevant departments to reduce the risk of non-compliance and will ensure proper documentation. Therefore, any compliance issues or potential issues can be addressed and monitored efficiently. Moving forward, this procedure will ensure timely submission of schedule of parcels to the Commissioner of Buildings prior to the execution of the SPAs.

The potential maximum penalty for the non-compliance under the SMA is a financial penalty of RM500,000 on SPBSB, being the developer for Taman Nuri Phase 1B and imprisonment of each director of SPBSB for a term not exceeding 5 years.

We have not experienced any material adverse impact on our business operations or financial performance and we have not been imposed with any penalties by the relevant authority as at the LPD arising from the above non-compliance with the SMA. We made an enquiry with the Commissioner of Buildings division within Majlis Perbandaran Alor Gajah and they verbally confirmed that it is unlikely that penalty will be imposed.



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**ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

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**(i) Strata Titles Act 1985 ("STA")**

We are governed by the STA which facilitates the subdivision of building or land into parcels, the disposition of titles, registration of titles relating to parcels in a building, transfer of parcels in a building and other rights and interests in parcels in a building.

**(j) Personal Data Protection Act 2010 ("PDPA") and the Personal Data Protection (Class of Data Users) Order 2013 ("PDPA Order")**

The PDPA regulates the processing of personal data in commercial transactions and related matters.

Section 15 of the PDPA stipulates that a person who belongs to the class of data users as specified under the PDPA Order shall submit an application for registration to the Personal Data Protection Commissioner ("**PDP Commissioner**"). A licensed housing developer belongs to the class of data users under the PDPA Order and hence is required to obtain a certificate of registration under Section 16(1)(a) of the PDPA 2010 in order to process any personal data. A person who belongs to the class of data users as specified in the PDPA Order and who processes personal data without a certificate of registration commits an offence and shall, on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding 3 years or to both.

**(k) Occupational Safety and Health Act 1994 ("OSHA")**

The OSHA regulates the safety, health and welfare of persons at work, protection of others against risks to safety or health in connection with the activities of persons at work and related matters.

The OSHA imposes, amongst others, the following duties on employers (in the case of (i) and (ii) below) and on occupier of a place of work (in the case of (iii) below):

- (i) to prepare and as often as may be appropriate, revise a written statement of general policy with respect to the safety and health at work of employees and the organisation and arrangements for carrying out that policy, and to bring the statement and any revision of it to the notice of all employees;
- (ii) to establish a safety and health committee at the place of work if there are 40 or more persons employed at the place of work; and
- (iii) to appoint a person who is competent to act as a safety and health officer at the place of work if he carries out any building operation where the total contract price of the project exceeds RM20,000,000.

A person who contravenes (i) above shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding 2 years or to both. Any person who contravenes (ii) above shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to a term of imprisonment not exceeding 1 year or to both. Any person who contravenes (iii) above shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or to a term of imprisonment not exceeding 6 months or to both.

**ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

A summary of the total penalties incurred, maximum potential penalties, rectification costs and reasons for the non-compliances are as follows.

No.	Nature of non-compliance	Company name	Rectification cost RM'000	Maximum potential financial penalty RM'000	Penalties incurred	Reasons for non-compliance
1.	Accommodation and amenities for employees employed by subcontractors and temporary buildings on Lot 2086 in Kluang, Johor					
	<ul style="list-style-type: none"><li>Failure to obtain planning permission prior to erecting employees' accommodation and amenities, and temporary buildings.</li></ul>	Hektar Berlian	45	500		- In September 2023, Hektar Berlian received a supporting letter from Majlis Perbandaran Kluang for the erection of employees' accommodation and amenities and temporary buildings on Lot 2086, which Hektar Berlian initially understood as an approval. However, it was brought to the attention during the due diligence conducted by our solicitors for the purposes of our IPO that such supporting letter was not considered as an approval. In this regard, Hektar Berlian has submitted application for the planning permission in February 2024 and Majlis Perbandaran Kluang issued the planning permission in June 2024.
	<ul style="list-style-type: none"><li>Failure to obtain temporary building permit prior to erecting employees' accommodation and amenities, and temporary buildings.</li></ul>			50		- Hektar Berlian has submitted application for the temporary building permit in February 2024. Majlis Perbandaran Kluang has approved and issued the temporary building permit in August 2024.
Subtotal			45	550	-	
2.	Permitting the erection of batching plant without planning permission on a piece land held under Geran 12690, Lot 654, Mukim Parit Melana, District of Alor Gajah, State of Melaka.	Modal Cergas	-	500		- Modal Cergas was not aware of the breach of TCPA and such breach was only brought to our attention during the due diligence conducted by our solicitors for the purposes of our IPO. The tenant has delivered the vacant possession of the Tenanted Area on 13 August 2024 and our Group has rectified the non-compliance matter.

**ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

No.	Nature of non-compliance	Company name	Rectification cost RM'000	Maximum potential financial penalty RM'000	Penalties incurred	Reasons for non-compliance
3.	Collection of booking fees.	Panglima Juara Laman Exotika Hektar Berlian	-	150	-	Our Group was not aware of the prohibition of collecting booking fees and such restriction was brought to the attention of the Group during the due diligence conducted by our solicitors for the purposes of our IPO. Upon being aware of the prohibition, our Group ceased to collect booking fees or earnest deposits since August 2023 and we sent written notice to our property agencies in August 2023 to instruct them to cease collection of booking fees or earnest deposits from August 2023 onwards.
4.	Permitting erection of concrete batching plant without planning permission on Land PT 9226 in Kulim, Kedah.	Dayang Gemilang	-	500	-	Dayang Gemilang was not aware of the breach under the TCPA and such breach was only brought to our attention during the due diligence conducted by our solicitors for the purposes of our IPO. The concrete batching plant operator has ceased its operation of the concrete batching plant and delivered vacant possession of Land PT 9226 to Dayang Gemilang in March 2024.

**ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

No.	Nature of non-compliance	Company name	Rectification cost RM'000	Maximum potential financial penalty RM'000	Penalties incurred	Reasons for non-compliance	
5.	No business premise licence, planning permission and temporary building permit for sales gallery for temporary sales gallery on the land located at DT 465, Jalan Nuri 29, Taman Nuri Fasa 3, 76100 Durian Tunggal, Melaka: <ul style="list-style-type: none"><li>Failure to obtain business premise licence for sales gallery</li><li>Failure to obtain planning permission for sales gallery</li><li>Failure to obtain temporary building permit for sales gallery</li></ul>	Laman Exotika	30	2  500  50	-  -  -	The non-compliance was due to Laman Exotika's oversight in obtaining the business premise licence and Laman Exotika was not aware of the breach under the SDBA and TCPA. Such breach was only brought to the Group's attention during the due diligence conducted by our solicitors for the purposes of our IPO. Laman Exotika had demolished its sale gallery in November 2023.	
Subtotal			30	552	-		
6.	Employees' accommodation in Kluang, Johor without the necessary approvals: <ul style="list-style-type: none"><li>Failure to obtain certificate for accommodation for Initial Kluang Accommodation</li><li>Failure to give notice of occupation for Initial Kluang Accommodation within the prescribed timeline</li><li>Failure to comply with the minimum standards for Initial Kluang Accommodation</li><li>Failure to give notice of occupation for New Kluang Accommodation within the prescribed timeline</li></ul>	SPBSB	250	50  10  50  10	-  -  -  -		SPBSB was not aware of the breach under the EMSHAA and such breach was only brought to our Group's attention during the due diligence conducted by our solicitors for the purposes of our IPO. SPBSB has since then provided another accommodation for employees employed by subcontractors of the Group which complies with the requirements under the EMSHAA and EMSHAA Regulations, and demolished the Initial Kluang Accommodation in January 2024.
Subtotal			250	120	-		

**ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

No.	Nature of non-compliance	Company name	Rectification cost RM'000	Maximum potential financial penalty RM'000	Penalties incurred	Reasons for non-compliance
7.	Employees' accommodation at the Initial Kulim Accommodation in Kulim, Kedah without the necessary approvals: <ul style="list-style-type: none"> <li>Failure to obtain certificate for accommodation</li> <li>Failure to give notice of occupation within the prescribed timeline</li> <li>Failure to comply with the minimum standards</li> </ul>	SPBSB	240	50 10 50	- - -	SPBSB was not aware of the breach under the EMSHAA and such breach was only brought to the Group's attention during the due diligence conducted by our solicitors for the purposes of our IPO. SPBSB has since provided another accommodation for employees employed by subcontractors of the Group which complies with the requirements under the EMSHAA and EMSHAA Regulations.
<b>Subtotal</b>			<b>240</b>	<b>110</b>	-	
8.	Late payment of levy to CIDB for development projects in the following project development: <ul style="list-style-type: none"> <li>Lunas Phase 4A</li> <li>Lunas Phase 4C</li> <li>Lunas Phase 4D</li> </ul>	SPBSB	-	50 50 50	- - -	The non-compliance in respect of the delay in payment of levy for the variation orders was due to an error by the issuing bank, which incorrectly stated the name of the payee on the bank cheque intended for CIDB, causing the bank cheque to be rejected during the bank clearance process. This error was subsequently rectified.
<b>Subtotal</b>			-	<b>150</b>	-	
9.	Failure to file schedule of parcels with the Commissioner of Buildings before sale of individual units (parcel) in a development area.	SPBSB	-	500	-	The non-compliance was due to the miscommunication between the relevant departments on the timeline to file the schedule of parcel to the Commissioner of Buildings and the execution of the SPAs. In addressing this non-compliance incident, our Group had in July 2024 implemented a compliance monitoring checklist which forms part of our Group's Compliance Monitoring Framework.
<b>Total</b>			<b>565</b>	<b>3,132</b>	-	

## **ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

Based on the summary above, all the non-compliances have been rectified and our Group has not experienced any material adverse impact on the business operations and/or financial condition arising from these non-compliances.

### **Implementation of measures by our Group**

Our Group has established policies and guidelines to manage its compliance risk and to enhance its internal control system of our Group to prevent recurrence of the non-compliance incidents, details of which are as follows:

- (i) Our Group has implemented a Compliance Monitoring Framework to ensure that our Group's compliance matters are being managed effectively and will serve as our Group's commitment in upholding proper compliance management. The Compliance Monitoring Framework set out, amongst others, the following:
  - (a) roles and responsibility of our Board, our Group's Executive Committee ("**EXCO**") members, which comprise of Chief Executive Officer ("**CEO**"), Chief Financial Officer ("**CFO**") and Chief Operating Officer ("**COO**"), and key senior management;
  - (b) formulation of a compliance monitoring checklist to serve as a guide; and
  - (c) procedures in managing compliance issues and non-compliance incidents.

The implementation of the compliance monitoring measures is overseen by the EXCO members and they will report to the Audit and Risk Management Committee and our Board. The Compliance Monitoring Framework was approved by our Board in July 2024 and implemented in July 2024;

- (ii) The responsibilities of the EXCO members include reviewing and overseeing the monitoring mechanism for compliance matters to ensure effective implementation across business operations and alignment with strategic goals / business objective. The EXCO members are also responsible to take appropriate actions and to ensure corrective measures are in place or implemented promptly if there are any non-compliance incidents occur. In addition, the EXCO members will review the monthly report prepared by our Compliance Committee to ensure our business operations comply with the statutory and regulatory requirements;
- (iii) The compliance monitoring function in our Group prior to the appointment of the Compliance Officer was under the purview of the respective departments and was not centralised, thus contributing to the ineffectiveness of the compliance monitoring function. The appointment of the Compliance Officer and the implementation of the Compliance Monitoring Framework enables our Group to centralise the compliance monitoring function and enhance its effectiveness. In July 2024 our Group appointed a Compliance Officer to further ensure the management practices are properly guided and carried out based on the Compliance Monitoring Framework and are enforced effectively. Our Compliance Officer was appointed internally and she has been serving our Group since 2015, reporting directly to our CFO. She is involved in our Group's day-to-day operations and has a comprehensive understanding of our Group's various functions. In this regard, we have assigned her a new role as a Compliance Officer to oversee our Group's compliance matters having considered her competency and initiatives to improve our Group's internal processes. The integration of compliance risk identification and monitoring into the Compliance Officer's scope of work increases accountability which directly contributes to a structured and proactive monitoring system. As the first point of contact for all compliance related matters, the presence of a Compliance Officer will promote awareness and fosters the spirit of compliance across the Group. Our Compliance Officer has attended and will continue to attend training programmes to keep abreast with the development in the industry and changes in new statutory and regulatory requirements to ensure compliances in respect of our business operations. The Compliance Officer is required to carry out the following:

#### **ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

- (a) monitor the compliance monitoring checklist on weekly basis and will be signed off by the relevant heads of departments;
  - (b) conduct monthly Compliance Committee meetings together with the heads of departments namely project development, project management, sales & marketing, finance and human resource or any relevant departments within our Group, to discuss and identify any significant changes in project development, site progress and financial matters to ensure that all parties receive timely information and update any potential compliance issues in order to prevent recurrence of non-compliance incidents;
  - (c) highlight the statutory requirements in respect of all applications relating to the land owned by our Group; and
  - (d) liaise with external compliance experts and ISO Auditors specialising in property development business operations for constant updates on the statutory and regulatory requirements;
- (iv) The Compliance Committee which was established in July 2024, comprise of our Compliance Officer, heads of departments from project development, project management, sales & marketing, finance and human resources or any relevant departments within our Group. The role of the Compliance Committee include establishing internal control and compliance management processes and overseeing the implementation and effectiveness of the Compliance Monitoring Framework. The Compliance Committee is responsible for developing risk mitigation strategies and action plans, ensuring comprehensive training programs on compliance policies for employees and overseeing the investigation of any non-compliance incidents and breaches of statutory requirements and regulations by our Group's business operations. Our Compliance Committee members conducted on-site compliance inspections and walkthrough on the internal policies and procedures with their respective departments staff. If there are any on-going compliance issues, the Compliance Committee is responsible to report the status of these issues to the EXCO members for their subsequent reporting to the Audit and Risk Management Committee on a quarterly basis. The Compliance Committee will review the Compliance Monitoring Framework regularly to keep the internal controls and compliance management processes up-to-date with the relevant regulations in consultation with the external compliance experts and ISO Auditors specialising in property development business operations;
- (v) In July 2024, our Group has established an Audit and Risk Management Committee comprising entirely of Independent Non-Executive Directors with duties and obligations of, amongst others, reviewing and assessing the adequacy and effectiveness of risk management policies and framework in identifying, measuring, monitoring and controlling risk and the extent to which these are operating effectively, reviewing and recommending risk management strategies, policies and level of risk tolerance for the Board's approval and reviewing the Annual Statement of Risk Management and Internal Control to be published in the Annual Report of our Company. The Audit and Risk Management Committee will provide a statement of effectiveness of the risk management and internal control framework implemented by our Group as well as any material risks and / or non-compliances identified during the respective financial year in our Company's Annual Report after the Listing;
- (vi) Our Group has appointed an internal control reviewer to assess the adequacy of the internal controls and risk management practices of our Group in conjunction with the Proposed Listing. The internal control reviewer has completed their review workstream in July 2024. Pursuant to the findings highlighted in the internal control reviewer's report, our Group has adopted and implemented all recommendations by the internal control reviewer and undertaken measures such as the implementation of the compliance monitoring checklist, establishing policies and frameworks which include, amongst others, the procedures such as conducting periodic tests and audits to ensure the effectiveness of our internal controls and compliance management processes as well as to address the identified gaps or lapses in respect of internal control; and

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**ANNEXURE D - REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES (Cont'd)**

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- (vii) After the Listing, our Group intends to outsource its internal audit functions to an external internal audit reviewer to continuously monitor the adequacy and effectiveness of our Group's internal control systems and will report directly to the Audit and Risk Management Committee. Our Company will also engage professionals (where necessary) to provide trainings to our Directors and employees to develop a clear understanding of matters related to our Group's internal control and compliances in order to enhance our Group's policies and processes.

After assessing the measures implemented by our Group to rectify the incidents of non-compliance in respect of our Group's business operations, our Directors are satisfied with the measures implemented by our Group and are of the view that these measures are sufficient to ensure the compliance with the relevant rules and regulations in our Group's business operations and to prevent recurrence of the incidents of non-compliance. Since the implementation of the measures by our Group as described above, there is no recurrence of any non-compliances as at the LPD.

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