

**THIS PROSPECTUS HAS NOT BEEN REGISTERED BY THE SECURITIES COMMISSION MALAYSIA (“SC”). THE INFORMATION IN THIS PROSPECTUS MAY BE SUBJECT TO FURTHER AMENDMENTS BEFORE BEING REGISTERED BY THE SC. UNDER NO CIRCUMSTANCES SHALL THIS PROSPECTUS CONSTITUTE AN OFFER FOR SUBSCRIPTION OR PURCHASE OF, OR AN INVITATION TO SUBSCRIBE FOR OR PURCHASE SECURITIES.**

## PROSPECTUS



# AZAM JAYA

## AZAM JAYA BERHAD

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

**INITIAL PUBLIC OFFERING (“IPO”) OF 128,800,000 ORDINARY SHARES IN AZAM JAYA BERHAD (“AZAM JAYA”) (“SHARES”) (“IPO SHARES”) IN CONJUNCTION WITH THE LISTING OF AZAM JAYA ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:**

- (A) **PUBLIC ISSUE OF 78,800,000 NEW SHARES (“ISSUE SHARES”) COMPRISING:**
- (I) **25,000,000 ISSUE SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
  - (II) **10,000,000 ISSUE SHARES AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS AND EMPLOYEES OF AZAM JAYA AND ITS SUBSIDIARIES (“GROUP”) AS WELL AS OTHER PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF THE GROUP; AND**
  - (III) **43,800,000 ISSUE SHARES BY WAY OF PRIVATE PLACEMENT TO INSTITUTIONAL AND SELECTED INVESTORS; AND**
- (B) **OFFER FOR SALE OF 50,000,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO INSTITUTIONAL AND SELECTED INVESTORS,**

**SUBJECT TO THE CLAWBACK AND REALLOCATION PROVISIONS AS SET OUT IN THE PROSPECTUS, AT AN IPO PRICE OF RM[•] PER IPO SHARE PAYABLE IN FULL ON APPLICATION.**

**Principal Adviser, Sole Underwriter  
and Sole Placement Agent**

**INTER-PACIFIC**  
SECURITIES SDN. BHD.

197201001092 (12738-U)

A Participating Organisation of Bursa Malaysia Securities Berhad  
A Trading Participant of Bursa Malaysia Derivatives Berhad

**Financial Adviser**

**sierac**  
corporate advisers

**SIERAC CORPORATE ADVISERS SDN BHD**  
Registration No. 200001013247 (515853-A)

**INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.**

**FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE 32.**

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER 6 MONTHS FROM THE DATE OF THIS PROSPECTUS.

[THE SECURITIES COMMISSION MALAYSIA (“SC”) HAS APPROVED THE ISSUE, OFFER OR INVITATION FOR THE OFFERING UNDER SECTION 214(1) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 (“CMSA”).] THIS PROSPECTUS [HAS BEEN REGISTERED BY THE SC]. THE APPROVAL AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SHARES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS, AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

**THIS PROSPECTUS IS DATED [•]**

*All defined terms used in this Prospectus are defined under "Presentation of Information", "Definitions" and "Glossary of Technical Terms" commencing on pages ix, xi and xvii respectively.*

### **RESPONSIBILITY STATEMENTS**

Our Directors, Promoters and Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

Inter-Pacific Securities Sdn Bhd, being our Principal Adviser, Sole Underwriter and Sole Placement Agent acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

### **STATEMENTS OF DISCLAIMER**

[Our Company has obtained the approval of Bursa Securities for our Listing. Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.]

[This Prospectus, together with the Application Forms, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.]

### **OTHER STATEMENTS**

Investors should note that you may seek recourse under Sections 248, 249 and 357 of the CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Our Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

Investors should not take the agreement by the Sole Underwriter named in this Prospectus to underwrite our Shares under the Retail Offering as an indication of the merits of our Shares being offered.

This Prospectus is prepared and published solely for our IPO. Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, Directors, Promoters, Offerors, Principal Adviser, Sole Underwriter and Sole Placement Agent have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Directors, Promoters, Offerors, Principal Adviser, Sole Underwriter and Sole Placement Agent, any of their respective directors, or any other persons involved in our IPO.

The Prospectus has been prepared in the context of our IPO under to the laws of Malaysia. This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

Our Company, Directors, Promoters, Offerors, Principal Adviser, Sole Underwriter and Sole Placement Agent named in this Prospectus have not authorised anyone and take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Accordingly, this Prospectus may not be used for the purpose of and does not constitute an offer for subscription or purchase or invitation to subscribe for or purchase, any of our IPO Shares in any jurisdiction or in any circumstances in which such an offer is not authorised or is unlawful or to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the sale of our IPO Shares in certain jurisdictions may be restricted by law. Persons who may be in possession of this Prospectus are required to inform themselves and to observe such restrictions.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia. We will not accept any liability whether or not any enquiry or investigation is made in connection to it.

It shall be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subject to. We will further assume that you had accepted our IPO in Malaysia and will at all applicable times be subject only to the laws of Malaysia in connection therewith.

However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It shall be your sole responsibility to consult your legal and/or other professional advisers on the laws to which our IPO or you are or might be subjected to. Neither we nor our Directors, Promoters, Offerors, the Principal Adviser, Sole Underwriter and Sole Placement Agent nor any other advisers in relation to our IPO will accept any responsibility or liability if any application made by you shall become illegal, unenforceable or void in any country or jurisdiction.

#### **ELECTRONIC PROSPECTUS / INTERNET SHARE APPLICATION**

This Prospectus can be viewed or downloaded from Bursa Securities' website at [www.bursamalaysia.com](http://www.bursamalaysia.com). The contents of the Electronic Prospectus and the copy of this Prospectus registered with the SC are the same.

The internet is not a fully secure medium. Your Internet Share Application (as defined herein) may be subject to risks in data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt of the validity or integrity of an Electronic Prospectus, you should immediately request from us or the Issuing House (as defined herein), a paper / printed copy of this Prospectus. If there is any discrepancy between the contents of the Electronic Prospectus and the contents of the paper / printed copy of this Prospectus for any reason whatsoever, the contents of the paper / printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC, shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as “**Third-Party Internet Sites**”), whether by way of hyperlinks or by way of description of the Third-Party Internet Sites, you acknowledge and agree that:

- (i) we do not endorse and are not affiliated in any way with the Third-Party Internet Sites. Accordingly, we are not responsible for the availability of, or the content or any data, information, file or other material provided on, the Third-Party Internet Sites. You shall bear all risks associated with the access to or use of the Third-Party Internet Sites;
- (ii) we are not responsible for the quality of products or services in the Third-Party Internet Sites, particularly in fulfilling any of the terms of any agreement with the Third Party Internet Sites. We are also not responsible for any loss or damage or cost that you may suffer or incur in connection with or as a result of dealing with the Third-Party Internet Sites or the use of or reliance on any data, information, files or other material provided by such parties; and
- (iii) any data, information, file or other material is downloaded from the Third-Party Internet Sites is done at your own discretion and risk. We are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institution or Participating Securities Firms, you are advised that:

- (i) the Internet Participating Financial Institution or Participating Securities Firms is only liable in respect of the integrity of the contents of the Electronic Prospectus, to the extent of the contents of the Electronic Prospectus on the web server of the Internet Participating Financial Institution which may be viewed via your web browser or other relevant software. The Internet Participating Financial Institution or Participating Securities Firms is not responsible for the integrity of the contents of the Electronic Prospectus, which has been downloaded or obtained from the web server of the Internet Participating Financial Institution and subsequently communicated or disseminated in any manner to you or other parties;
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in the Electronic Prospectus, the accuracy and reliability of the Electronic Prospectus cannot be guaranteed because the internet is not a fully secure medium; and
- (iii) the Internet Participating Financial Institution or Participating Securities Firms is not liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracy, change, alteration, deletion or omission in respect of the information provided in the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institution or Participating Securities Firms, and/or problems occurring during data transmission which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

**INDICATIVE TIMETABLE**

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An indicative timetable for our IPO is set out below:

<b>Events</b>	<b>Date</b>
Issuance of this Prospectus / Opening date of our IPO	10.00 a.m., [•]
Closing date of our IPO	5.00 p.m., [•]
Balloting of applications for our IPO Shares	[•]
Allotment of our IPO Shares to successful applicants	[•]
Listing	[•]

In the event there are any changes to the timetable, we will advertise the notice of the changes in a widely circulated English and Bahasa Malaysia daily newspapers within Malaysia and will make an announcement on the website of Bursa Securities.

**[THE REST OF THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK]**

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**PRESENTATION OF INFORMATION**

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All references to “our Company” or “the Company” and “Azam Jaya” in this Prospectus mean Azam Jaya Berhad, while references to “our Group” or “the Group” or “Azam Jaya Group” mean our Company and our subsidiaries. References to “we”, “us”, “our” and “ourselves” mean our Company, and where the context requires, our Group or any member of our Group. Unless the context otherwise requires, references to “Management” are to our Directors and Key Senior Management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

All references to the “Government” are to the Government of Malaysia; and references to “RM” and “sen” are to the lawful currency of Malaysia. The word “approximately” used in this Prospectus indicates that a number is not exact. Certain numbers presented in this Prospectus have subjected to rounding adjustments. As a result, any discrepancies in the tables or charts included in this Prospectus between the amounts listed and totals are due to rounding adjustments. Other abbreviations used here are defined in the “Definitions” and “Glossary of Technical Terms” sections of this Prospectus. Words denoting the singular will, where applicable, include the plural and vice versa and words denoting the masculine gender will, where applicable, include the feminine gender and/or neuter genders and vice versa. Reference to persons will, where applicable, include companies and corporations.

Any reference to provisions of the statutes, rules, regulations, enactments or rules of stock exchange shall (where the context admits), be construed as a reference to provisions of such statutes, rules, regulations, enactments or rules of stock exchange (as the case may be) as modified by any written law or (if applicable) amendments or re-enactments to the statutes, rules, regulations, enactments or rules of stock exchange for the time being in force.

Any reference to a time or date shall be a reference to a time or date in Malaysia, unless otherwise stated.

All references to the “LPD” in this Prospectus are to [31 May] 2024, being latest practicable date prior to the registration of this Prospectus with the SC.

This Prospectus includes statistical data provided by various third parties and us and cites third party projections regarding growth and performance of the market and industry in which we operate and our estimated market share. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is acknowledged in this Prospectus, provided that where no source is acknowledged, it can be assumed that the information originates from us. In addition, certain information in this Prospectus is extracted or derived from the IMR Report prepared by Infobusiness Research & Consulting Sdn Bhd, an Independent Market Researcher, whom we have appointed to provide an independent market and industry review for inclusion in this Prospectus.

We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the market and industry in which we operate. Third party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. No assurances are or can be given that the estimated figures will be achieved, and you should not place undue reliance on the third party projections cited in this Prospectus.

The information on our website or any website, directly or indirectly, linked to our website does not form part of this Prospectus and you should not rely on those information for the purposes of your decision whether or not to invest in our Shares. If there is any discrepancy between the contents of such website relating to our Company and this Prospectus, the information contained in this Prospectus shall prevail.

**FORWARD-LOOKING STATEMENTS**

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This Prospectus includes forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Company for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future result, performance or achievements or industry results, expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our current views with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as the words “may”, “will”, “would”, “could”, “believe”, “expect”, “anticipate”, “intend”, “estimate”, “aim”, “plan”, “forecast” or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- our business strategies and potential growth opportunities;
- our plans and objectives for future operations;
- our financial position;
- our financial earnings, cash flows and liquidity;
- the general industry environment, including the supply and demand for our products and services, trends and competitive position;
- our ability to pay dividends; and
- the regulatory environment and the effects of future regulation.

Factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 5 of this Prospectus on “Risk factors” and Section 12.3.2 of this Prospectus on “Significant factors affecting our financial performance and results of operations”. We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made based on information available to us as at the LPD and made only as at the LPD.

Should we become aware of any subsequent significant change or new matter arising from the date of registration of this Prospectus but before the date of allotment of our IPO Shares that will affect a matter disclosed in this Prospectus, we will issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6) of the Prospectus Guidelines (Supplementary and Replacement Prospectus).

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**DEFINITIONS**

The following definitions shall apply throughout this Prospectus unless the term is defined otherwise or the context requires otherwise:

<b>Acquisition of AJ Properties</b>	:	Acquisition by Azam Jaya of the entire issued share capital of AJ Properties from Tan Sri Joseph, Datuk Jonathan, Johannes Lo and Lai Vui Kiong which was completed on [•]
<b>Acquisition of Kolopis Jaya</b>	:	Acquisition by Azam Jaya of the entire issued share capital of Kolopis Jaya from Tan Sri Joseph and Datuk Jonathan which was completed on [•]
<b>Acquisition of Pembinaan AJ</b>	:	Acquisition by Azam Jaya of the entire issued share capital of Pembinaan AJ from Tan Sri Joseph and Datuk Jonathan which was completed on [•]
<b>Acquisitions</b>	:	Collectively, the Acquisition of AJ Properties, Acquisition of Kolopis Jaya and Acquisition of Pembinaan AJ
<b>Act</b>	:	Companies Act 2016, as amended from time to time and any re-enactment thereof
<b>ADA</b>	:	Authorised Depository Agent
<b>Application</b>	:	Application for our IPO Shares under the Retail Offering by way of Application Form, Electronic Share Application or Internet Share Application
<b>Application Form</b>	:	Application form accompanying this Prospectus for the Application
<b>ATM</b>	:	Automated teller machine
<b>Authorised Financial Institution</b>	:	Authorised financial institution participating in the Internet Share Application, with respect to payments for our IPO Shares under the Retail Offering
<b>Azam Jaya or Company</b>	:	Azam Jaya Berhad
<b>Azam Jaya Group or Group</b>	:	Azam Jaya and its subsidiaries
<b>Azam Jaya Shares or Shares</b>	:	Ordinary shares in Azam Jaya
<b>Board</b>	:	Board of Directors of our Company

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**DEFINITIONS (CONT'D)**

<b>Bumiputera</b>	: In the context of:
	(i) Individuals, Malays and the aborigines and the natives of Sabah and Sarawak as specified in the Federal Constitution of Malaysia;
	(ii) Companies, a company which fulfils, among others, the following criteria or such other criteria as may be imposed by the MITI:
	(a) registered under the Act as a private company;
	(b) its shareholders are 100.00% Bumiputera; and
	(c) its board of directors (including its staff) are at least 51.00% Bumiputera; and
	(iii) Cooperatives, a cooperative whose shareholders or cooperative members are at least 95.00% Bumiputera or such other criteria as may be imposed by the MITI
<b>Bursa Depository</b>	: Bursa Malaysia Depository Sdn Bhd
<b>Bursa Securities</b>	: Bursa Malaysia Securities Berhad
<b>CAGR</b>	: Compounded annual growth rate
<b>CCM</b>	: Companies Commission of Malaysia
<b>CDS</b>	: Central Depository System
<b>CDS Account</b>	: An account established by Bursa Depository by a Depositor for the recording of securities and for dealing in such securities by the Depositor
<b>CIDB</b>	: Construction Industry Development Board
<b>CMSA</b>	: Capital Markets and Services Act, 2007
<b>Constitution</b>	: Constitution of our Company
<b>COVID-19</b>	: Novel coronavirus disease 2019, an infectious respiratory disease which first broke out in 2019
<b>Datuk Jessica</b>	: Datuk Lo Vun Che @ Jessica, our Non-Independent Executive Director, Promoter and Substantial Shareholder
<b>Datuk Jonathan</b>	: Datuk Jonathan Lo Chaw Loong, JP, our Non-Independent Managing Director, Promoter, Offeror and Substantial Shareholder
<b>Depositor</b>	: A holder of a CDS Account
<b>Director(s)</b>	: Director(s) of our Company within the meaning given in Section 2 of the CMSA
<b>EBITDA</b>	: Earnings before interest, taxation, depreciation and amortisation
<b>Electronic Prospectus</b>	: A copy of this Prospectus that is issued, circulated or disseminated via the Internet and/or any electronic storage medium, including but not limited to CD-ROMs (compact disc read-only memory)

**DEFINITIONS (CONT'D)**

<b>Electronic Share Application</b>	:	Application for our IPO Shares under the Retail Offering through a Participating Financial Institution's ATM
<b>Eligible Persons</b>	:	Collectively, our eligible Directors, employees and persons who have contributed to the success of the Group
<b>EPS</b>	:	Earnings per Share
<b>Equity Guidelines</b>	:	Equity guidelines issued by the SC
<b>FYE</b>	:	Financial year ended / ending 31 December
<b>GDP</b>	:	Gross domestic product
<b>Government</b>	:	Government of Malaysia
<b>GP</b>	:	Gross profit
<b>IMR Report</b>	:	The independent market research report dated 20 June 2024 prepared by the Independent Market Researcher, as set out in Section 8 of this Prospectus
<b>Independent Market Researcher or Infobusiness</b>	:	Infobusiness Research & Consulting Sdn Bhd
<b>Institutional Offering</b>	:	Offering of 93,800,000 IPO Shares at the IPO Price by way of private placement to institutional and selected investors, subject to clawback and reallocation provisions
<b>Internet Participating Financial Institution or Participating Securities Firm</b>	:	Participating financial institution or Participating Securities Firms for Internet Share Application, which is set out in Section 15.6 of this Prospectus
<b>Internet Share Application</b>	:	Application for our IPO Shares under the Retail Offering through an online share application service provided by the Internet Participating Financial Institution
<b>Interpac or Principal Adviser or Sole Underwriter or Sole Placement Agent</b>	:	Inter-Pacific Securities Sdn Bhd
<b>IPO</b>	:	Initial public offering comprising the Public Issue and Offer for Sale, collectively
<b>IPO Price</b>	:	The issue price of RM[●] per IPO Share payable by you for our IPO Shares
<b>IPO Shares</b>	:	Collectively, the Issue Shares and the Offer Shares
<b>Issue Shares</b>	:	78,800,000 new Shares to be made available for application pursuant to the Public Issue
<b>Issuing House or Share Registrar</b>	:	Tricor Investor & Issuing House Services Sdn Bhd

**DEFINITIONS (CONT'D)**

<b>JKR Sabah</b>	:	Jabatan Kerja Raya Sabah
<b>Johannes Lo</b>	:	Johannes Lo Chaw Jack, Alternate Director to Tan Sri Joseph, our Head of Sustainability and Innovation, Promoter and Substantial Shareholder
<b>Key Senior Management</b>	:	Key senior management personnel of our Group comprising Johannes Lo, Datuk Ir. Wong Chung Teck @ George Wong, Chiang Chung Wing @ Edwin Chiang, Lai Vui Kiong, Wong Shing Yee and Chong Mui Har
<b>Listing</b>	:	Admission to the Official List and the listing of and quotation for our entire issued share capital on the Main Market of Bursa Securities
<b>Listing Requirements</b>	:	Main Market Listing Requirements of Bursa Securities
<b>Lokah Fortune</b>	:	Lokah Fortune Sdn Bhd, our Promoter and Substantial Shareholder
<b>LPD</b>	:	31 May 2024, being the latest practicable date prior to the registration of this Prospectus with the SC
<b>Market Day</b>	:	A day on which Bursa Securities is open for trading in securities
<b>MCO</b>	:	Movement control order which includes but is not limited to the conditional movement control order, recovery movement control order, full movement control order issued under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
<b>MFRS</b>	:	Malaysian Financial Reporting Standards issued by the Malaysian Accounting Standards Board
<b>MITI</b>	:	Ministry of Investment, Trade and Industry of Malaysia
<b>MyIPO</b>	:	Intellectual Property Corporation of Malaysia
<b>N/A</b>	:	Not applicable
<b>NBV</b>	:	Net book value
<b>Offerors</b>	:	The offerors pursuant to the Offer for Sale, namely Tan Sri Joseph and Datuk Jonathan, details of which are set out in Section 4.3.2 of this Prospectus
<b>Offer for Sale</b>	:	Offer for sale of the Offer Shares by the Offerors, representing 10.00% of the enlarged total number of Shares to institutional and selected investors, subject to clawback and reallocation provisions
<b>Offer Shares</b>	:	50,000,000 existing Shares to be offered by the Offerors pursuant to the Offer for Sale
<b>Official List</b>	:	A list specifying all securities which have been admitted for listing and which have not been removed from the Main Market of Bursa Securities
<b>Participating Financial Institution</b>	:	Participating financial institution for Electronic Share Application
<b>PAT</b>	:	Profit after taxation
<b>PBT</b>	:	Profit before taxation

**DEFINITIONS (CONT'D)**

<b>PE Multiple</b>	:	Price-to-earnings multiple
<b>Period under Review</b>	:	FYE 2021, FYE 2022 and FYE 2023, collectively
<b>Pink Form Allocations</b>	:	The allocation of 10,000,000 Issue Shares to the Eligible Persons
<b>Prescribed Security</b>	:	Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provisions of the SICDA and the Rules of Bursa Depository
<b>Promoters</b>	:	Collectively refers to Lokah Fortune, Tan Sri Joseph, Datuk Jonathan, Datuk Jessica and Johannes Lo
<b>Prospectus</b>	:	This Prospectus dated [•] issued by our Company in respect of our IPO
<b>Prospectus Guidelines</b>	:	Prospectus Guidelines issued by the SC
<b>Public or Malaysian Public</b>	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
<b>Public Issue</b>	:	Public issue of 78,800,000 Issue Shares at the IPO Price by our Company
<b>Record of Depositors</b>	:	A record provided by Bursa Depository to our Company under the Rules of Bursa Depository
<b>Retail Offering</b>	:	Offering of 35,000,000 IPO Shares at the IPO Price comprising: <ul style="list-style-type: none"> <li>(i) 25,000,000 Issue Shares made available to the Malaysian Public, (of which at least 50% is reserved for subscription by Bumiputera public); and</li> <li>(ii) 10,000,000 Issue Shares made available to Eligible Persons, subject to clawback and reallocation provisions</li> </ul>
<b>RM and sen</b>	:	Ringgit Malaysia and sen
<b>Rules of Bursa Depository</b>	:	The rules of Bursa Depository
<b>SC</b>	:	Securities Commission Malaysia
<b>Share Split</b>	:	Share split involving the subdivision of 71,669,805 Shares (after the completion of the Acquisitions) into 421,200,000 Shares which was completed on [•]
<b>SICDA</b>	:	Securities Industry (Central Depositories) Act, 1991
<b>sq.ft.</b>	:	Square feet
<b>sq.m.</b>	:	Square meter(s)
<b>Subsidiaries</b>	:	Collectively, refers to AJ Land, AJ Properties, Kolopis Jaya and Pembinaan AJ



**DEFINITIONS (CONT'D)**

<b>Substantial Shareholders</b>	:	Collectively, refers to Lokah Fortune, Tan Sri Joseph, Datuk Jonathan, Datuk Jessica, Johannes Lo, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii who prior to the Listing each have an interest (direct and/or indirect) in our Shares which is not less than 5% of the total number of all the voting shares of our Company
<b>Tan Sri Joseph</b>	:	Tan Sri Datuk Seri Panglima Joseph Lo @ Lo Tain Foh, our Non-Independent Executive Chairman, Promoter, Offeror and Substantial Shareholder
<b>Underwriting Agreement</b>	:	Underwriting agreement dated [•] entered into between our Company and the Sole Underwriter for the underwriting of all the Issue Shares under the Retail Offering

**SUBSIDIARIES**

<b>AJ Land</b>	:	Azam Jaya Land Sdn Bhd
<b>AJ Properties</b>	:	Azam Jaya Properties Sdn Bhd
<b>Kolopis Jaya</b>	:	Kolopis Jaya Sdn Bhd
<b>Pembinaan AJ</b>	:	Pembinaan Azam Jaya Sdn Bhd

**PROJECTS**

<b>DBKK Sewerage Project</b>	:	Refers to the ongoing relocation of a sewerage pipe on Jalan Lintas, Kota Kinabalu, Sabah
<b>Jalan Lintas Upgrading Project</b>	:	Refers to the ongoing road widening and upgrading works on Jalan Lintas and the construction of 3 flyovers in Kota Kinabalu, Sabah
<b>Jalan UMS Upgrading Project</b>	:	Refers to the ongoing road upgrading works on Jalan UMS and Jalan Sepanggar and the construction of 4 flyovers in Kota Kinabalu, Sabah
<b>Kota Belud Road Project</b>	:	Refers to the ongoing upgrading works on Jalan Tengkurus Lahanas Siba to Lahanas Sokib, Kota Belud, Sabah
<b>Pan Borneo Highway (WP06) Project</b>	:	Refers to the ongoing construction of a 21.7 km highway from Putatan to Inanam, Kota Kinabalu, Sabah
<b>Pan Borneo Highway (WP12) Project</b>	:	Refers to the ongoing construction of a 14.8 km dual carriage highway from Sarang to Temuno, Sabah and comprises 4 bridges
<b>Pan Borneo Highway (WP13) Project</b>	:	Refers to the ongoing construction of a 21.2 km dual carriage highway from Temuno to Bingolon, Sabah and comprises 3 bridges
<b>Pulau Sebatik Road Project</b>	:	Refers to the ongoing construction of a 7.6 km road connecting Kampung Sungai Pukul to Kampung Sungai Bergosong on Pulau Sebatik, Tawau, Sabah

**GLOSSARY OF TECHNICAL TERMS**

This glossary contains explanations of certain terms used throughout this Prospectus in connection with our Group and our business. The terminologies and their meanings may not correspond to the standard industry meanings or usage of these terms.

<b>3D</b>	:	3-dimensional
<b>Aggregate</b>	:	A category of construction materials comprising crushed stone of a uniform size
<b>Bore piling</b>	:	Construction of bored piles, formed by boring or excavating a hole into the soil to a required depth followed by the insertion of a reinforcement cage made of steel bars upon which wet concrete is poured in and left to set
<b>Bridge</b>	:	An elevated roadway spanning across a water body, stream or river
<b>BQ</b>	:	Bill of quantity
<b>CCC / OC</b>	:	Certificate of completion and compliance, a document issued by the submitting person who is either a professional architect or professional engineer to certify that the building is completed in accordance with the approved building plans and is safe and fit for occupation
<b>CMGD</b>	:	Certificate for making good defects, a document issued by the client or architect to the contractor, after identified defects have been rectified upon expiry of the DLP
<b>CPC</b>	:	Certificate of practical completion, a document issued by the client or architect to the contractor when the contractor has completed its assigned obligations and handed the work to the client
<b>CPO</b>	:	Certificate of partial occupation, a document required by the client to occupy a portion of an ongoing project with the permission of the contractor, issued by the contractor
<b>DLP</b>	:	Defect liability period, a period of time after the issuance of the CPC where the contractor is obliged to return to the site to remedy defects, if any and carry out routine maintenance works
<b>Earthworks</b>	:	Construction works involving a substantial modification to the existing ground terrain, land form or slope, including excavation works, formation or a new slope or embankment and cut and fill operations as provided in the construction drawings
<b>EOT</b>	:	Extension of time which is granted by the client for valid reasons, which will result in an extension to the contract period
<b>Flyover</b>	:	An elevated roadway over land or above a road
<b>Formwork</b>	:	Temporary structures made of steel / aluminium / timber materials to serve as moulds for concrete to be placed in
<b>GPS</b>	:	Global positioning system
<b>ISO</b>	:	International Organisation for Standardisation, a non-government organisation based in Geneva, Switzerland. A developer and publisher of international standards. International standards give state of the art specialisations for products, services and good practice, helping to make industries more efficient and effective

**GLOSSARY OF TECHNICAL TERMS (CONT'D)**

<b>km</b>	: kilometre
<b>LAD</b>	: Liquidated and ascertained damages, which are damages due to a client, calculated at a rate as stated in the contract when a contractor fails to deliver the completed work within the period stipulated in the said contract agreement
<b>Letter of Award</b>	: A formal award of a project by a client to the contractor
<b>LiDAR</b>	: Light detection and ranging
<b>Main contractor</b>	: A person or a firm who receives the letter of award directly from the client and is generally responsible for overseeing and completing the entire construction job. The main contractor may engage subcontractors to carry out a certain portion of the construction work
<b>Mould</b>	: A hollow container used to give shape to a liquid or soft substance when it cools or hardens
<b>Precast concrete</b>	: A construction product produced by casting concrete in a reusable mould which is then cured in a controlled environment, before being transported and installed at the construction site
<b>PUKONSA</b>	: Pusat Pendaftaran Kontraktor Kerja Bekalan / Perkhidmatan dan Juruperunding, Menteri Kewangan Sabah
<b>Rebar</b>	: Reinforcement bar, which are steel bars or mesh of steel wires used in reinforced concrete
<b>Rectification works</b>	: Also known as remedial works, refers to any improvements or correction of defects in workmanships which are identified during the defect liability period to make good our works
<b>Reinforced concrete</b>	: Concrete with embedded steel, including rods, bars and mesh, to provide reinforcement
<b>Retention sum</b>	: A portion of the contract price that is withheld by the client as security against any defects, faults, or incomplete work that may arise during the construction process and is released after the work is satisfactorily completed
<b>SPKK</b>	: Certificate of Government Procurement Works (Sijil Perolehan Kerja Kerajaan) issued by CIDB
<b>Staging area(s)</b>	: Designated area(s) at the construction sites where all the vehicles, machinery, materials and tools are located for access
<b>Subcontractor</b>	: A person or a firm appointed by the property developer, building owner or main contractor to carry out a certain portion of a construction project
<b>Substructure</b>	: In relation to bridge and flyover construction, the lower part of a continuous structure including abutments, piers, piles and other support structures
<b>Superstructure</b>	: In relation to bridge and flyover construction, the upper part of the structure comprising the platform spanning the length of the bridge or flyover as well as everything on and above the span
<b>SUV</b>	: Sports utility vehicle

**1. CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name</b>	<b>Designation</b>	<b>Nationality</b>	<b>Address</b>
Tan Sri Joseph	Non-Independent Executive Chairman	Malaysian	Lot 1-8 Puteri Damai Lorong Alpha, Jalan Damai 88300 Kota Kinabalu Sabah
Datuk Jonathan	Non-Independent Managing Director	Malaysian	Lot 1-8 Puteri Damai Lorong Alpha, Jalan Damai 88300 Kota Kinabalu Sabah
Datuk Jessica	Non-Independent Executive Director	Malaysian	Lot 1-8 Puteri Damai Lorong Alpha, Jalan Damai 88300 Kota Kinabalu Sabah
Datuk Anjin Bin Ajik	Independent Non-Executive Director	Malaysian	Lot 86, Taman Sri Gaya 111 Luyang 88300 Kota Kinabalu Sabah
Chua Chai Hua	Independent Non-Executive Director	Malaysian	Unit 23A-3 Bay 21 Condominium Jalan Teluk Likas 88400 Kota Kinabalu Sabah
Chung Yue Lin @ Erica	Independent Non-Executive Director	Malaysian	Lot 11, Taman Forget Me Not Lorong Everclicked 2 Jalan Penampang 88300 Kota Kinabalu Sabah
Emmeline Michael Paitin	Independent Non-Executive Director	Malaysian	Suite 10D Harrington Suites Off Jalan Seladang D 88400 Kota Kinabalu Sabah
Johannes Lo	Alternate Director to Tan Sri Joseph	Malaysian	Lot 1-8 Puteri Damai Lorong Alpha, Jalan Damai 88300 Kota Kinabalu Sabah

**AUDIT AND RISK MANAGEMENT COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Chung Yue Lin @ Erica	Chairman	Independent Non-Executive Director
Chua Chai Hua	Member	Independent Non-Executive Director
Emmeline Michael Paitin	Member	Independent Non-Executive Director

**1. CORPORATE DIRECTORY (CONT'D)****REMUNERATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Emmeline Michael Paitin	Chairman	Independent Non-Executive Director
Datuk Anjin Bin Ajik	Member	Independent Non-Executive Director
Chung Yue Lin @ Erica	Member	Independent Non-Executive Director

**NOMINATION COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Datuk Anjin Bin Ajik	Chairman	Independent Non-Executive Director
Emmeline Michael Paitin	Member	Independent Non-Executive Director
Chua Chai Hua	Member	Independent Non-Executive Director

<b>COMPANY SECRETARIES</b>	:	<b>Wong Youn Kim</b>	
		Professional qualification	: The Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA")
		Membership No.	: MAICSA 7018778
		CCM Practising Certificate No.	: 201908000410
		<b>Lim Li Heong</b>	
		Professional qualification	: MAICSA
		Membership No.	: MAICSA 7054716
		CCM Practising Certificate No.	: 202008001981
		<b>Wong Mee Kiat</b>	
		Professional qualification	: MAICSA
		Membership No.	: MAICSA 7058813
		CCM Practising Certificate No.	: 202008001958
		Level 5, Tower 8, Avenue 5, Horizon 2	
		Bangsar South City	
		59200 Kuala Lumpur	
		Wilayah Persekutuan	
		Tel no.	: +603 2280 6388

**1. CORPORATE DIRECTORY (CONT'D)**

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- REGISTERED OFFICE** : Level 5, Tower 8, Avenue 5, Horizon 2  
 Bangsar South City  
 59200 Kuala Lumpur  
 Wilayah Persekutuan  
 Tel no. : +603-2280 6388
- CORPORATE OFFICE** : Lot 7, Jalan Kolam Centre 1  
 Hilltop  
 88300 Kota Kinabalu  
 Sabah  
 Tel no. : +608-822 2288  
 E-mail : contact@azamjaya.my  
 Website : www.azamjaya.my
- PRINCIPAL ADVISER, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT** : **Inter-Pacific Securities Sdn Bhd**  
 West Wing, Level 13, Berjaya Times Square  
 No. 1, Jalan Imbi  
 55100 Kuala Lumpur  
 Wilayah Persekutuan  
 Tel no. : +603-2177 1888
- FINANCIAL ADVISER** : **Sierac Corporate Advisers Sdn Bhd**  
 Suite 12-07, Menara 1MK  
 Kompleks 1 Mont Kiara  
 No. 1, Jalan Kiara, Mont Kiara  
 50450 Kuala Lumpur  
 Wilayah Persekutuan  
 Tel no. : +603-2389 3697
- AUDITORS AND REPORTING ACCOUNTANTS** : **Russell Bedford LC PLT** (LLP0030621-LCA & AF 1237)  
 Suite 37, Level 21, Mercu 3  
 No. 3, Jalan Bangsar, KL Eco City  
 59200 Kuala Lumpur  
 Wilayah Persekutuan  
 Tel no. : +603-2202 6666  
 Partner in charge : Gavin Foo Tun Xiang  
 Approval no. : 03405/12/2024 J  
 Professional : CPA Australia, Member of Malaysian  
 Qualification : Institute of Accountants (“**MIA**”) (MIA  
 membership no.: 37308)
- SOLICITORS** : **David Lai & Tan**  
 Level 8-3 & 8-4, Wisma Miramas  
 No. 1, Jalan 2/109E  
 Taman Desa, Jalan Klang Lama  
 58100 Kuala Lumpur  
 Wilayah Persekutuan  
 Tel no. : +603-7972 7968

**1. CORPORATE DIRECTORY (CONT'D)**

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- INDEPENDENT MARKET RESEARCHER** : **Infobusiness Research & Consulting Sdn Bhd**  
C4-3A-3, Solaris Dutamas  
No. 1, Jalan Dutamas 1  
50480 Kuala Lumpur  
Wilayah Persekutuan
- Tel no. : +603-6205 3930  
Person in charge : Leow Hock Bee  
Qualification : Master of Business Administration  
Bachelor of Science (Hons) Geology
- SHARE REGISTRAR AND ISSUING HOUSE** : **Tricor Investor & Issuing House Services Sdn Bhd**  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite, Avenue 3  
Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur
- Tel no. : +603-2783 9299
- LISTING SOUGHT** : Main Market of Bursa Securities

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**2. INTRODUCTION**

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**2.1 APPROVALS AND CONDITIONS**

**2.1.1 SC**

The SC has, vide its letter dated [●], approved our IPO and Listing under Section 214(1) of the CMSA, subject to the compliance with the following conditions:

<b>Conditions imposed</b>	<b>Status of compliance</b>
[●]	[●]
[●]	[●]

The SC has, via its letter dated [●], approved the resultant equity structure of our Company pursuant to our Listing under the equity requirement for public listed companies.

**2.1.2 Bursa Securities**

Bursa Securities had, vide its letter dated [●], approved our admission to the Official List and the listing of and quotation for our entire enlarged issued share capital on the Main Market of Bursa Securities.

The approval from Bursa Securities is subject to compliance with the following conditions:

<b>No.</b>	<b>Conditions imposed</b>	<b>Status of compliance</b>
1.	[●]	[●]
2.	[●]	[●]

**2.1.3 MITI**

The MITI had, vide its letter dated [●], taken note of and has no objection to our Listing.

On 27 June 2024, Azam Jaya had submitted an application to the MITI to seek its recognition of Tan Sri Joseph, Datuk Jonathan, Johannes Lo, Datuk Jessica, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack, Joanna Lo Vun Shii and Lokah Fortune as Bumiputera shareholders. The MITI had, vide its letter dated [●], recognised the said shareholders as existing Bumiputera shareholders of our Company.

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## 2. INTRODUCTION (CONT'D)

### 2.2 MORATORIUM ON OUR SHARES

In accordance with the Equity Guidelines, our Promoters and persons connected to them will not be allowed to sell, transfer or assign any of their shareholdings in our Company as at the date of our Listing, for a period of 6 months from the date of our Listing ("**Moratorium Period**").

The details of our Shares which will be subject to moratorium are as follows:

<b>Name</b>	<b>Direct shareholdings</b>	
	<b>No. of Shares</b>	<b>(1)%</b>
Lokah Fortune	200,982,400	40.20
Johannes Lo	50,000,000	10.00
Datuk Jessica	50,000,000	10.00
Lo Vun Yee @ Josephine Lo	16,670,000	3.33
Lo Vun Jiun	16,670,000	3.33
Jacqueline Lo Ker Jack	16,670,000	3.33
Joanna Lo Vun Shii	16,670,000	3.33
<b>Total</b>	<b>367,662,400</b>	<b>73.53</b>

**Note:**

(1) Based on the enlarged issued share capital of 500,000,000 Shares.

The moratorium has been fully accepted by our Promoters and Substantial Shareholders, who have provided written undertaking that they will not sell, transfer or assign any part of their respective shareholdings under moratorium during the Moratorium Period, in accordance with the Equity Guidelines.

The sole shareholder of Lokah Fortune, namely Datuk Jonathan has undertaken not to sell, transfer or assign any of his shareholdings in Lokah Fortune during the Moratorium Period.

The above moratorium restriction is specifically endorsed on the share certificates representing the Shares which are under the moratorium to ensure that our Share Registrar does not register any transfer that contravenes such restrictions.

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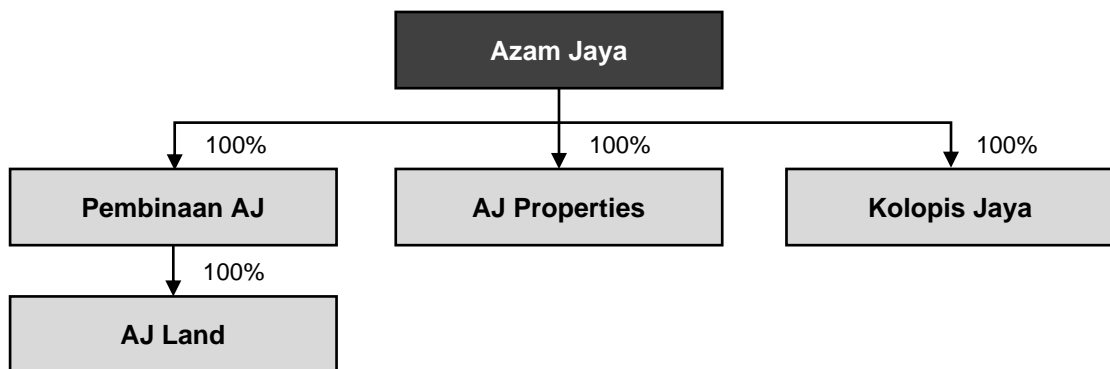
### 3. PROSPECTUS SUMMARY

This Prospectus Summary only highlights the key information from other parts of this Prospectus. It does not contain all the information that may be important to you. You should read and understand the contents of the whole Prospectus prior to deciding on whether to invest in our Shares.

#### 3.1 BACKGROUND AND OVERVIEW

Our Company was incorporated in Malaysia under the Act as a private limited company on 16 June 2022 under the name of Azam Jaya Sdn Bhd and was subsequently converted to a public limited company on 27 June 2024 where we assumed our present name, Azam Jaya Berhad.

We are an investment holding company and through our Subsidiaries, we are principally involved in the provision of construction services. During the Period under Review, all of our Group's revenue was generated from business activities in Sabah, Malaysia. Our Group structure [as at the LPD] and after our IPO is as follows:



Our Group's history can be traced back to the acquisition of 50% of Pembinaan AJ (formerly known as Zaramo Sdn Bhd) by Tan Sri Joseph from his relatives in 1992. Tan Sri Joseph subsequently increased his stake to 75% in 1994. Over the years, our Group was awarded and has completed larger and more prominent road infrastructure construction projects within the state of Sabah including:

- (i) the construction of 3 flyovers at the Kolam interchange, the Wawasan interchange and the Karamunsing interchange, as well as upgrading of roads at Jalan Nenas, Karamunsing in 2001, which was completed in 2008;
- (ii) the construction of the longest pre-stressed vehicular bridge in Sabah connecting Binsuluk and Kuala Penyu across Sungai Sitompok, in 2010, which was completed in 2012;
- (iii) the construction of the first vehicular tunnel constructed in Sabah connecting Kota Kinabalu Industrial Park with the Sepanggar Bay Container Port in 2010, which was completed in 2015; and
- (iv) road widening and upgrading works on Jalan Lintas and the construction of 2 interchanges in Kota Kinabalu in 2014, which was completed in 2017.

In addition to the above, our Group has also secured several work packages of the Pan Borneo Highway project, namely the Pan Borneo Highway (WP06) Project in 2019 and the Pan Borneo Highway (WP12) Project and Pan Borneo Highway (WP13) Project both in 2024, all 3 of which are ongoing as at the LPD.

Apart from road infrastructure projects, our Group has also been involved in building improvement works for government structures. Whilst it is not our primary focus, we have completed 6 building improvement projects for government schools in Sabah to-date.

### 3. PROSPECTUS SUMMARY (CONT'D)

In 2015, our Group ventured into industrial property development via the development of an industrial park known as “The Factory @ Inanam” which comprised 29 units of detached, semi-detached and terrace industrial buildings in Inanam, Kota Kinabalu. This project had a gross development value of RM89.38 million and was our Group’s sole property development project. As at the LPD, our Group does not intend to undertake any property development projects in the future.

Our Group has 4 Subsidiaries, namely Pembinaan AJ, AJ Land, AJ Properties and Kolopis Jaya and as at the LPD, all of our Subsidiaries are registered with the CIDB as Grade 7 contractors in Malaysia.

Over the Period under Review, our Group generated our revenues from the provision of construction services and from the sale of factory units from the development of “The Factory @ Inanam”. Our revenues by business segments for the Period under Review are as follows:

	Construction		Property development		Total	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
FYE 2021	212,040	91.61	19,417	8.39	231,457	100.00
FYE 2022	289,377	97.49	7,461	2.51	296,838	100.00
FYE 2023	274,766	97.86	6,000	2.14	280,766	100.00

Please refer to Section 12.3.3(i) of this Prospectus for the breakdown of our construction revenue by construction projects undertaken by our Group.

As at [the LPD], our Group has an outstanding order book of approximately RM1.08 billion which is expected to be recognised for the FYEs 2024 to 2027.

#### 3.2 OUR COMPETITIVE STRENGTHS

Our competitive strengths are as follows:

##### (i) Established track record in the construction industry in Sabah

- We have established a track record of more than 30 years in the construction industry in Sabah and have completed over 50 construction projects of varying sizes, complexity, scope and contract values.
- All 4 of our Subsidiaries are registered as Grade 7 contractors with the CIDB which allows us to undertake construction projects with unlimited tendering capacity in Malaysia. In addition, Pembinaan AJ is registered as a holder of the Certificate of Government Procurement Works issued by CIDB as well as a Class A contractor with the Registration Centre for Supply / Service Works Contractors and Consultants, Ministry of Finance, Sabah (PUKONSA) which allows Pembinaan AJ to participate in any government procurement in the field of construction with tendering capacity of RM5,000,001 and above in the State of Sabah. Pembinaan AJ has also been granted Bumiputera status certification from the Ministry of Entrepreneur and Cooperatives Development of Malaysia.

##### (ii) Specialise in road infrastructure construction and is one of the major players in road infrastructure construction in Sabah

- We have evolved from a small construction company into a major road infrastructure specialist capable of delivering comprehensive solutions, encompassing project planning, development, civil engineering, project management and the construction of any road infrastructure in Sabah.

### 3. PROSPECTUS SUMMARY (CONT'D)

- According to the IMR Report as included in Section 8 of this Prospectus, we are a major infrastructure contractor in Sabah by market share, with a market share of 5.94% based on the value of civil engineering works (infrastructure construction) done in Sabah in 2023 of approximately RM4.62 billion and our construction revenue of approximately RM274.77 million for the FYE 2023.
    - [As at the LPD], we have 8 ongoing construction projects with an unbilled contract value (order book) of RM1.08 billion.
- (iii) **Commitment to deliver innovative and quality construction projects in a timely manner**
  - We have introduced several construction techniques which were the first of its kind in Sabah such as the use of bored piling technology, the balanced cantilever method for bridge or flyover construction as well as other techniques as further described in Section 7.2(iii) of this Prospectus.
  - We are also adopters of new and innovative construction technologies, such as the use of autonomous vehicle control modules for certain construction equipment and LiDAR-equipped drones which help our Group to boost productivity and operational efficiency as well as optimise cost and resources.
- (iv) **We are led by experienced key management team with expertise and technical knowledge in the construction industry**
  - Our Promoter and Non-Independent Executive Chairman, Tan Sri Joseph has over 45 years of experience in the construction industry and has played a vital role in charting the strategic direction of our Group and continues to do so as at to-date.
  - The Group is currently helmed by Datuk Jonathan, our Non-Independent Managing Director who is responsible for securing new construction projects and overseeing the implementation of our Group's business strategy, and Datuk Jessica, our Non-Independent Executive Director who oversees and manages our Group's financial functions and accounting matters.
  - Datuk Jonathan and Datuk Jessica are supported by our Key Senior Management with expertise across a broad spectrum of business activities, including project management and procurement.
- (v) **Strong relationship with subcontractors and materials suppliers**
  - We have established long-term business relationships with our subcontractors and suppliers.
  - During the Period under Review, we have engaged over 80 subcontractors for various construction services including earthworks, piling, road surfacing, installation of road finishings (such as lane markings, building of lane dividers, installation of lights and signboards) and relocation of utilities services.

### 3.3 BUSINESS STRATEGIES AND FUTURE PLANS

Our business strategies and future plans are as follows:

- (i) **To maintain / enhance our position as one of the major road infrastructure players in Sabah**
  - We intend to continue focusing and enhancing our core strengths in road infrastructure construction by enhancing our construction capabilities and

### 3. PROSPECTUS SUMMARY (CONT'D)

increasing our operational efficiency by reducing our reliance on subcontractors in order to gain more control on project timelines and quality.

- We intend to reduce the percentage of subcontractor costs of our total cost of sales by expanding our existing fleet of construction machinery and equipment. We plan to spend approximately RM[●] million from the LPD until the end-2025 to acquire construction machinery and equipment such as excavators, dump trucks, motor graders, bulldozers and staff vehicles such as light trucks and SUVs to reduce our reliance on subcontractors.
- We also intend to spend approximately RM[●] million from the LPD until end-2025 on technological upgrades which will minimise mistakes and further improve operational efficiency.

#### (ii) **To maximise equipment utilisation by continuously tendering for more construction projects**

- For the Period under Review, our Group generated all our construction revenue from large-scale road infrastructure projects in Sabah (contract value above RM50 million). Our Group benefits when the Government decides to undertake large scale road infrastructure projects in Sabah as our Group is a road infrastructure specialist and one of the major players in the development of road infrastructure in Sabah.
- Moving forward, we intend to secure more road infrastructure projects of a similar scale including the future phases of the Pan Borneo Highway Project (i.e., Phases 1B and 2) as well as other rural road projects.
- Should we be unable to secure a sufficient amount of Government road construction contracts to fully utilise our financial capabilities, construction machineries, equipment and direct labour, we will tender for smaller road construction projects offered by non-governmental project owners as well as non-road infrastructure projects for which we are licensed and capable of performing to maximise equipment utilisation.

### 3.4 RISK FACTORS

Before investing in our IPO Shares, you should carefully consider all risk factors set out in Section 5 of this Prospectus as summarised below:

#### (i) **We are highly dependent on the Ministry of Works, Malaysia and JKR Sabah as our major clients**

During the Period under Review and up to the LPD, all of our construction revenue was contributed by construction contracts for the Ministry of Works, Malaysia and JKR Sabah. The termination of any of our ongoing construction projects by the Ministry of Works, Malaysia or JKR Sabah would result in a decrease in our order book which will in turn have a material adverse impact on our business and financial performance. In addition, our Group's sustainability, revenue and financial performance will be materially and adversely affected if there is any termination of our business relationship with the Ministry of Works, Malaysia or JKR Sabah.

#### (ii) **Our business is dependent on our ability to secure new projects and replenish our order book**

Our business and financial performance is dependent on our ability to secure new projects to continuously replenish our order book as our revenue relies on the execution and completion of construction projects. The failure to secure new construction projects

### 3. PROSPECTUS SUMMARY (CONT'D)

to replenish our order book will result in the value of our order book decreasing, and this may have a material adverse impact on our business and financial performance.

**(iii) We are dependent on the continued Government infrastructure spending in the state of Sabah**

For the Period under Review, all of our projects are infrastructure-related projects in the state of Sabah and were derived from contracts with Government agencies, specifically the Ministry of Works, Malaysia and JKR Sabah. Any adverse changes in Government development policies, particularly a reduction on infrastructure spending or the termination or suspension of any of our ongoing projects may have a material adverse impact on our business, results of operations and financial condition.

**(iv) We depend on the services of our subcontractors to perform specific tasks for our projects**

Subcontractor costs comprise between 40% to 70% of our total construction cost of sales for the Period under Review. We are subject to the risks associated with poor, late or non-performance by our subcontractors. Failure of our subcontractors to complete such subcontracted works to the required standards or at all, may result in us bearing some or all the costs of the claims from our clients, which may in turn have a material adverse impact on our results of operations and financial performance and/or our reputation.

**(v) We are subject to unanticipated increases in the cost of construction materials, subcontractors and labour costs**

Our construction contracts are typically based on a fixed rate contract where the contract value and the price of the scope of work is agreed at the point our Group is awarded the contract. However, we are able to claim for the increased cost of construction materials from the client in the event of construction delays which were caused by events outside our Group's control, subject to the client's approval. In the event of construction delays attributable to us, we will be required to absorb any such increase in the construction costs. Should we encounter any increase in costs that we are unable to pass on to our clients, it could result in project cost overruns, potentially exerting a negative impact on our profit margins and financial performance.

**(vi) Our joint arrangements with other construction companies to undertake construction projects are subject to risk of non-performance / termination**

Our Group undertakes certain construction projects jointly with other construction companies. There is no guarantee that our construction partner(s) will be able or willing to continue fulfilling their agreed contractual obligations and the failure to do so may result in the termination of the joint arrangement or the termination of the construction contract by the client, even if the termination of the joint arrangement or construction contract was due to no fault of our Group. In the event the construction contract is terminated, there is no guarantee that the client will re-award the contract to either our Group or to a construction partner of our Group and such termination may have a material adverse effect on our reputation, business, financial performance and future prospects.

**(vii) We may experience a delay in / non completion of our projects**

We are obligated to complete our construction projects within the timeframe as stipulated in the construction contracts awarded to us. In the event of a delay such as relocation of utilities, obtaining possession of site, obtaining approval from the client on the design drawing submitted by the Group and delays in land acquisition, we would usually seek an EOT from our client, which is subject to their approval. Any unapproved extension in the amount of time it takes for us to fulfil our contracted obligations may subject us to LAD claims from our clients, which may have a material adverse effect on our reputation and financial performance.

### 3. PROSPECTUS SUMMARY (CONT'D)

(viii) **Our construction activities are dependent on our continued ability to obtain the requisite permits, licenses, approvals and certifications**

All 4 of our Subsidiaries are registered as Grade 7 contractors with the CIDB which allows us to undertake construction projects with unlimited tendering capacity in Malaysia. In addition, Pembinaan AJ is registered as a holder of the SPKK issued by CIDB, as a Class A contractor with the Registration Centre for Supply / Service Works Contractors and Consultants, Ministry of Finance, Sabah (PUKONSA) and has been granted Bumiputera status certification from the Ministry of Entrepreneur and Cooperatives Development of Malaysia. Failure to maintain any or all of the above licenses, as well as the planning permits, construction plans approvals, advertising and sale permits and certificates or confirmation of completion for individual projects may result in termination of our contracts, thereby materially adversely affecting our business, reputation, financial performance as well as our future growth and prospects.

Please refer to Section 5 of this Prospectus for further details and the full list of risk factors affecting our business and operations, the industry in which we operate and our Shares.

#### 3.5 PRINCIPAL DETAILS OF OUR IPO

Our IPO Shares will be allocated at the IPO Price as summarised in the table below:

Categories	Issue Shares		Offer Shares		Total	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%
<b><u>Retail Offering</u></b>						
Malaysian Public (via balloting):						
▪ Bumiputera	12,500,000	2.50	-	-	12,500,000	2.50
▪ Non-Bumiputera	12,500,000	2.50	-	-	12,500,000	2.50
Eligible Persons	10,000,000	2.00	-	-	10,000,000	2.00
<b>Subtotal</b>	<b>35,000,000</b>	<b>7.00</b>	-	-	<b>35,000,000</b>	<b>7.00</b>
<b><u>Institutional Offering</u><sup>(2)</sup> (by way of private placement)</b>						
Institutional and selected investors	43,800,000	8.76	50,000,000	10.00	93,800,000	18.76
<b>Total</b>	<b>78,800,000</b>	<b>15.76</b>	<b>50,000,000</b>	<b>10.00</b>	<b>128,800,000</b>	<b>25.76</b>

**Notes:**

- (1) Based on the enlarged total number of 500,000,000 Shares after our IPO.
- (2) For information, there is no offering to Bumiputera investors approved by MITI as the Azam Jaya had submitted an application to the MITI to seek its recognition of certain shareholders of Azam Jaya as Bumiputera shareholders, as further elaborated in Section 2.1.3 of this Prospectus.

In the event the approval of the MITI is not obtained for the recognition of these shareholders as Bumiputera shareholders, 50,000,000 IPO Shares from the Offer for Sale and 12,500,000 IPO Shares available for subscription by institutional and selected investors will be allocated to Bumiputera investors approved by the MITI.

The Public Issue will increase our issued share capital from RM71,669,805 comprising 421,200,000 Shares to RM[●] comprising 500,000,000 Shares. Based on the IPO Price of RM[●] per IPO Share, the total market capitalisation of our Company will be RM[●] million upon Listing.

### 3. PROSPECTUS SUMMARY (CONT'D)

In accordance with the Equity Guidelines, our Promoters and persons connected to them will not be allowed to sell, transfer or assign any of their shareholdings in our Company as at the date of our Listing, for a period of 6 months from the date of our Listing.

For further information on our IPO and the moratorium on our Shares, please refer to Sections 4.3 and 2.2 of this Prospectus respectively.

#### 3.6 USE OF PROCEEDS

We intend to use the gross proceeds from the Public Issue of RM[●] million in the following manner:

Details of use of proceeds		Estimated timeframe for use from the date of our Listing	RM'000	%
(i)	Enhancing our construction capabilities	Within 36 months	[●]	[●]
(ii)	General working capital	Within 12 months	[●]	[●]
(iii)	Repayment of bank borrowings	Within 6 months	[●]	[●]
(iv)	Estimated listing expenses	Within 3 months	[●]	[●]
<b>Total</b>			[●]	<b>100.00</b>

The Offer for Sale will raise gross proceeds of RM[●] million which will accrue entirely to our Offerors. For further details on our use of proceeds arising from the Public Issue, please refer to Section 4.6 of this Prospectus.

#### 3.7 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and Key Senior Management are as listed below:

Name	Designation
<b><u>Directors</u></b>	
Tan Sri Joseph	Non-Independent Executive Chairman
Datuk Jonathan	Non-Independent Managing Director
Datuk Jessica	Non-Independent Executive Director
Datuk Anjin Bin Ajik	Independent Non-Executive Director
Chua Chai Hua	Independent Non-Executive Director
Chung Yue Lin @ Erica	Independent Non-Executive Director
Emmeline Michael Paitin	Independent Non-Executive Director
Johannes Lo	Alternate Director to Tan Sri Joseph
<b><u>Key Senior Management</u></b>	
Johannes Lo	Head of Sustainability and Innovation
Datuk Ir. Wong Chung Teck @ George Wong	Head of Projects
Chiang Chung Wing @ Edwin Chiang	Head of Procurement
Lai Vui Kiong	Head of Corporate Affairs and Finance
Wong Shing Yee	Head of Accounts
Chong Mui Har	Head of HR and Administration

For further information on our Directors and Key Senior Management, please refer to Sections 9.1.2, 9.2.2 and 9.3.1 of this Prospectus, respectively.



### 3. PROSPECTUS SUMMARY (CONT'D)

#### 3.8 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

Our Promoters and Substantial Shareholders as well as their respective shareholdings in our Company before and after our IPO are as follows:

Name	Country of incorporation / Nationality	Before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
<b><u>Promoters and Substantial Shareholders</u></b>									
Lokah Fortune	Malaysia	200,982,400	47.72	-	-	200,982,400	40.20	-	-
Tan Sri Joseph	Malaysian	33,249,200	7.89	<sup>(3)</sup> 116,680,000	27.70	<sup>(4)</sup> -	-	<sup>(3)</sup> 116,680,000	23.34
Datuk Jonathan	Malaysian	16,750,800	3.98	<sup>(5)</sup> 267,662,400	63.55	<sup>(4)</sup> -	-	<sup>(5)</sup> 267,662,400	53.53
Datuk Jessica	Malaysian	50,000,000	11.87	<sup>(6)</sup> 66,680,000	15.83	50,000,000	10.00	<sup>(6)</sup> 66,680,000	13.34
Johannes Lo	Malaysian	50,000,000	11.87	<sup>(6)</sup> 66,680,000	15.83	50,000,000	10.00	<sup>(6)</sup> 66,680,000	13.34
<b><u>Substantial Shareholders</u></b>									
Lo Vun Yee @ Josephine Lo	Malaysian	16,670,000	3.96	<sup>(7)</sup> 50,010,000	11.87	16,670,000	3.33	<sup>(7)</sup> 50,010,000	10.00
Lo Vun Jiun	Malaysian	16,670,000	3.96	<sup>(7)</sup> 50,010,000	11.87	16,670,000	3.33	<sup>(7)</sup> 50,010,000	10.00
Jacqueline Lo Ker Jack	Malaysian	16,670,000	3.96	<sup>(7)</sup> 50,010,000	11.87	16,670,000	3.33	<sup>(7)</sup> 50,010,000	10.00
Joanna Lo Vun Shii	Malaysian	16,670,000	3.96	<sup>(7)</sup> 50,010,000	11.87	16,670,000	3.33	<sup>(7)</sup> 50,010,000	10.00

**Notes:**

- (1) Based on the total number of 421,200,000 Shares after the Acquisitions and Share Split, but before our IPO.
- (2) Based on the enlarged total number of 500,000,000 Shares after our IPO.
- (3) Deemed interested by virtue of the shares held by his children, Johannes Lo, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii pursuant to Section 59 of the Act.
- (4) After the Offer for Sale of 50,000,000 Shares to institutional and selected investors.
- (5) Deemed interested by virtue of his direct interest in Lokah Fortune pursuant to Section 8 of the Act and the Shares held by his siblings, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii.
- (6) Deemed interested by virtue of the Shares held by his/her siblings, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii.
- (7) Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii are deemed interested in the Shares held by each other.

For information, Datuk Jonathan is the sole shareholder of Lokah Fortune. For further information on our Promoters and Substantial Shareholders, please refer to Section 9.1 of this Prospectus.

**3. PROSPECTUS SUMMARY (CONT'D)****3.9 FINANCIAL HIGHLIGHTS**

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:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Revenue	231,457	296,838	280,766
Cost of sales	(161,529)	(206,044)	(203,188)
GP	69,928	90,794	77,578
PBT	46,027	45,984	38,566
PAT attributable to the owners of the Company	34,142	31,691	25,983
Total equity	54,551	76,265	88,749
Total borrowings	130,348	139,539	143,024
Cash and bank balances	9,306	17,731	29,691
EBITDA <sup>(1)</sup> (RM'000)	61,229	65,671	57,609
GP margin <sup>(2)</sup> (%)	30.21	30.59	27.63
EBITDA margin <sup>(3)</sup>	26.45	22.12	20.52
PBT margin <sup>(4)</sup> (%)	19.89	15.49	13.74
PAT margin <sup>(5)</sup> (%)	14.77	10.68	9.25
Basic EPS <sup>(6)</sup> (sen)	8.11	7.52	6.17
Diluted EPS <sup>(7)</sup> (sen)	6.83	6.34	5.20
Effective tax rate (%)	25.72	31.03	32.62
Gearing ratio (times) <sup>(8)</sup>	2.39	1.83	1.61

**Notes:**

- (1) EBITDA represents earnings before net finance cost, taxation, depreciation and amortisation.
- (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 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.
- (8) Computed based on total borrowings divided by total equity as at the end of the respective financial year.

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### 3. PROSPECTUS SUMMARY (CONT'D)

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

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Non-current assets	71,117	81,726	88,973
Current assets	250,399	255,709	249,808
<b>Total assets</b>	<b>321,516</b>	<b>337,435</b>	<b>338,781</b>
Invested equity	6,800	6,800	6,800
Retained profits	47,151	68,842	81,949
Equity attributable to the owners of the Company	53,951	75,642	88,749
Non-controlling interests	600	623	-
<b>Total equity / Net assets</b>	<b>54,551</b>	<b>76,265</b>	<b>88,749</b>
Non-current liabilities	56,071	58,196	64,978
Current liabilities	210,894	202,974	185,054
<b>Total liabilities</b>	<b>266,965</b>	<b>261,170</b>	<b>250,032</b>
<b>Total equity and liabilities</b>	<b>321,516</b>	<b>337,435</b>	<b>338,781</b>

For further details on our financial information, please refer to Section 12 of this Prospectus.

#### 3.10 DIVIDEND POLICY

For the FYEs 2021, 2022 and 2023, our Group's dividend payout ratio was 20.50%, 31.55% and 50.03%, respectively, which were either 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 or funded via internally-generated funds.

For information, we do not intend to declare and pay any dividends before the completion of the Proposed Listing. Moving forward, we target a payout ratio of at least 30% of our net profit attributable to the owners of our Company for each financial year on a consolidated basis subject to the following:

- (i) our Board's discretion as well as any applicable law, licence conditions and contractual obligations; and
- (ii) provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

Investors 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. For further details on our dividend policy, please refer to Section 12.13 of this Prospectus.

#### 4. DETAILS OF OUR IPO

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##### 4.1 OPENING AND CLOSING OF APPLICATIONS

The application period will open at [●] on [●] and close at 5.00 p.m. on [●]. Late Applications will not be accepted.

##### 4.2 INDICATIVE TIMETABLE

An indicative timetable for our IPO is set out below:

<b>Events</b>	<b>Date</b>
Issuance of this Prospectus / Opening date of our IPO	10.00 a.m., [●]
Closing date of our IPO	5.00 p.m., [●]
Balloting of applications for our IPO Shares	[●]
Allotment of our IPO Shares to successful applicants	[●]
Listing	[●]

In the event there are any changes to the timetable, we will advertise the notice of changes in widely circulated English and Bahasa Malaysia newspapers within Malaysia and will make an announcement on the website of Bursa Securities.

##### 4.3 PARTICULARS OF OUR IPO

Our IPO is subject to terms and conditions of this Prospectus and upon acceptance, the IPO Shares are expected to be allocated and transferred in the manner described below, subject to the clawback and reallocation provisions as set out in Section 4.3.4 of this Prospectus.

Our IPO of 128,800,000 Shares, representing 25.76% of the enlarged issued share capital of our Company will be allocated in the following manner:

###### 4.3.1 Public Issue

Our Public Issue of 78,800,000 Issue Shares (representing 15.76% of the enlarged total number of Shares) at the IPO Price, payable in full on application, will be allocated in the following manner:

###### (a) Malaysian Public (via balloting)

25,000,000 Issue Shares (representing 5.00% of our enlarged total number of Shares) to be allocated via balloting, will be made available for Application by the Malaysian Public, of which at least 50% shall be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions.

**4. DETAILS OF OUR IPO (CONT'D)****(b) Eligible Persons**

10,000,000 Issue Shares (representing 2.00% of our enlarged total number of Shares) will be reserved for application by the Eligible Persons under the Pink Form Allocation as follows:

<b>Eligible Persons</b>	<b>Number of persons</b>	<b>Aggregate no. of IPO Shares allocated</b>
Directors of our Company <sup>(1)</sup>	4	400,000
Eligible employees of our Group <sup>(2)</sup>	Up to 200	4,600,000
Other persons who have contributed to the success of our Group <sup>(3)</sup>	Up to 10	5,000,000
<b>Total</b>	<b>Up to 214</b>	<b>10,000,000</b>

**Notes:**

- (1) Excluding Tan Sri Joseph, Datuk Jonathan, Datuk Jessica and Johannes Lo who will not be allocated any IPO Shares. The number of IPO Shares allocated to our Directors are as follows:

<b>Name</b>	<b>Designation</b>	<b>No. of IPO Shares allocated</b>
Datuk Anjin Bin Ajik	Independent Non-Executive Director	100,000
Chua Chai Hua	Independent Non-Executive Director	100,000
Chung Yue Lin @ Erica	Independent Non-Executive Director	100,000
Emmeline Michael Paitin	Independent Non-Executive Director	100,000
<b>Total</b>		<b>400,000</b>

- (2) The IPO Shares will be allocated to our eligible employees based on the following eligibility criteria as approved by our Board:

- (i) at least 18 years old;
- (ii) designation and position;
- (iii) length of service; and
- (iv) contribution to our Group.

**4. DETAILS OF OUR IPO (CONT'D)**

The number of IPO Shares to be allocated to our Key Senior Management (excluding Johannes Lo) under the Pink Form Allocation is as follows:

<b>Name</b>	<b>Designation</b>	<b>No. of IPO Shares allocated</b>
Datuk Ir. Wong Chung Teck @ George Wong	Head of Projects	200,000
Chiang Chung Wing @ Edwin Chiang	Head of Procurement	120,000
Lai Vui Kiong	Head of Corporate Affairs and Finance	60,000
Wong Shing Yee	Head of Accounts	20,000
Chong Mui Har	Head of HR and Administration	120,000
<b>Total</b>		<b>520,000</b>

- (3) The criteria for allocation of the IPO Shares to other persons who have contributed to the success of our Group under the Pink Form Allocation are based on, among others, their current and/or past contributions to our Group as well as the length of their business relationship with our Group.

**(c) Private placement to institutional and selected investors**

43,800,000 Issue Shares (representing 8.76% of our enlarged total number of Shares) to be allocated by way of private placement to institutions and identified investors.

The Public Issue will increase our issued share capital from RM71,669,805 comprising 421,200,000 Shares to RM[●] comprising 500,000,000 Shares.

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#### 4. DETAILS OF OUR IPO (CONT'D)

##### 4.3.2 Offer for Sale

The Offerors are offering 50,000,000 Offer Shares (representing 10.00% of our enlarged total number of Shares), at the IPO Price by way of private placement to institutional and selected investors. The details of the Offerors, their relationship with our Group and details of their shareholdings in our Company are as follows:

Name and address of the Offerors	Relationship with our Group for the past 3 years up to the LPD	As at [the LPD]		Offer for Sale		After the IPO	
		No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
<b>Tan Sri Joseph</b> Lot 1-8 Puteri Damai Lorong Alpha, Jalan Damai 88300 Kota Kinabalu Sabah	Our Non-Independent Executive Chairman, Promoter and Substantial Shareholder	33,249,200	7.89	33,249,200	6.65	-	-
<b>Datuk Jonathan</b> Lot 1-8 Puteri Damai Lorong Alpha, Jalan Damai 88300 Kota Kinabalu Sabah	Our Non-Independent Managing Director, Promoter and Substantial Shareholder	16,750,800	3.98	16,750,800	3.35	-	-

**Notes:**

- (1) Based on the total number of 421,200,000 Shares after the Acquisitions and Share Split but before our IPO.  
(2) Based on the enlarged total number of 500,000,000 Shares after taking into account of the new Shares issued pursuant to the Public Issue.

The entire proceeds of RM[●] million arising from the Offer for Sale will accrue entirely to the Offerors. All expenses relating to the Offer for Sale will be fully borne by the Offerors.

**4. DETAILS OF OUR IPO (CONT'D)****4.3.3 Summary of IPO Shares to be allocated and underwritten**

In summary, our IPO Shares offered under our Retail Offering and Institutional Offering (subject to clawback and reallocation provisions) are as follows:

Categories	Issue Shares		Offer Shares		Total	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%
<b>Retail Offering</b>						
Malaysian Public (via balloting)						
▪ Bumiputera	12,500,000	2.50	-	-	12,500,000	2.50
▪ Non-Bumiputera	12,500,000	2.50	-	-	12,500,000	2.50
Eligible Persons	10,000,000	2.00	-	-	10,000,000	2.00
<b>Institutional Offering<sup>(2)</sup></b>						
(by way of private placement)						
Institutional and selected investors	43,800,000	8.76	50,000,000	10.00	93,800,000	18.76
<b>Total</b>	<b>78,800,000</b>	<b>15.76</b>	<b>50,000,000</b>	<b>10.00</b>	<b>128,800,000</b>	<b>25.76</b>

**Notes:**

- (1) Based on the enlarged total number of 500,000,000 Shares after our IPO.
- (2) For information, there is no offering to Bumiputera investors approved by MITI as the Azam Jaya had submitted an application to the MITI to seek its recognition of certain shareholders of Azam Jaya as Bumiputera shareholders, as further elaborated in Section 2.1.3 of this Prospectus. In the event the approval of the MITI is not obtained for the recognition of these shareholders as Bumiputera shareholders, 50,000,000 IPO Shares from the Offer for Sale and 12,500,000 IPO Shares available for subscription by institutional and selected investors will be allocated to Bumiputera investors approved by the MITI.

The Retail Offering has been fully underwritten. The Institutional Offering is not underwritten. Irrevocable undertakings have been or will be obtained from investors who subscribe for our IPO Shares made available under the Institutional Offering.

The Retail Offering will be allocated on a fair and equitable manner and the basis of allocation for the Issue Shares shall take into account the desirability of distributing the Issue Shares to a reasonable number of applicants in view of broadening our shareholding base to meet the public spread requirements and to establish a liquid and adequate market for our Shares. Applicants for the Institutional Offering will be selected in such manner as may be determined by our Sole Placement Agent, in consultation with our Company, to be in the best interest of our Company. Our Sole Placement Agent, in consultation with our Company, has the absolute discretion to decide whether to accept or reject any placement application.

There is no over-allotment or 'greenshoe' option which will increase the number of our IPO Shares.



#### 4. DETAILS OF OUR IPO (CONT'D)

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##### 4.3.4 Clawback and reallocation

The Retail Offering and Institutional Offering shall be subject to the following clawback and reallocation provisions:

- (i) if there is an under-subscription in the Institutional Offering and an over-subscription in the Retail Offering, the IPO Shares not taken up may be clawed back from the Institutional Offering and reallocated to the Retail Offering; and
- (ii) if there is an under-subscription of the Retail Offering and an over-subscription in the Institutional Offering, the IPO Shares not taken up may be clawed back from the Retail Offering and reallocated to the Institutional Offering.

The clawback and reallocation provisions will not apply in the event there is an over-subscription or under-subscription in both the Retail Offering and the Institutional Offering or an under-subscription in either the Retail Offering or the Institutional Offering but no over-subscription in the other.

Any IPO Shares allocated to Eligible Persons but not taken up by them shall be made available to other Eligible Persons who have applied for excess IPO Shares (if any) in addition to their pre-determined allocation of IPO Shares ("**Excess Shares**"). Such Excess Shares will be allocated to these other Eligible Persons on a fair and equitable basis in the following priority:

- (a) firstly, allocation on a proportionate basis to our Directors and eligible employees of our Group who have applied for Excess Shares based on the number of Excess Shares applied for;
- (b) secondly, allocation of any surplus Excess Shares after (a) above on a proportionate basis to persons who have contributed to the success of our Group who have applied for Excess Shares based on the number of Excess Shares applied for; and
- (c) thirdly, to minimise odd lots.

Our Board reserves the right to allot Excess Shares applied for in such manner as it may deem fit, expedient and in the best interest of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of our Board as set out in items (a) to (c) above is achieved. Our Board also reserves the right to accept or reject any Excess Shares application, in full or in part, without assigning any reason.

Any allocated IPO Shares not fully taken up by Eligible Persons will be made available for application by the Malaysian Public under the Retail Offering, with any remaining IPO Shares thereafter underwritten by our Sole Underwriter, subject to the clawback and reallocation set out above.

#### 4. DETAILS OF OUR IPO (CONT'D)

##### 4.3.5 Share capital

Upon completion of our IPO, our share capital will be as follows:

	<b>No. of Shares</b>	<b>RM</b>
Issued share capital as at [the LPD]	421,200,000	71,669,805
New Shares to be issued pursuant to the Public Issue	78,800,000	<sup>(1)</sup> [●]
<b>Enlarged issued share capital upon Listing</b>	<b>500,000,000</b>	<b>[●]</b>

**Note:**

- (1) Calculated based on the IPO Price and after deducting the estimated listing expenses of approximately RM[●] million which is directly attributable to our Public Issue and allowed to be debited against the share capital of our Company.

##### 4.3.6 Classes of shares and ranking

As at the date of this Prospectus and upon completion of our IPO, we have only 1 class of shares, namely ordinary shares in our Company.

Our IPO Shares, upon allotment and issuance, will rank equally in all respects with our existing Shares including voting rights, and will be entitled to all dividends, rights and distributions that may be declared subsequent to the date of allotment of our IPO Shares, subject to any applicable Rules of Bursa Depository.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the amount paid up on the Shares held by them, be entitled to share the profits paid out by us as dividends or other distributions. Similarly, if our Company is liquidated, our shareholders shall be entitled to the surplus (if any), in accordance with our Constitution, after the satisfaction of any preferential payments in accordance with the Act and our liabilities.

At any general meeting of our Company, each shareholder shall be entitled to vote in person, by proxy, by attorney or by other duly authorised representative. A proxy may but need not be a member of our Company and there shall be no restriction as to the qualification of the proxy.

Any resolution set out in the notice of any general meeting, or in any notice of resolution which may be moved or is intended to be moved at any general meeting, is to be voted by poll. On a poll, each shareholder present either in person, by proxy, by attorney or by other duly authorised representative shall have 1 vote for each Share held.

##### 4.3.7 Minimum subscription level

There is no minimum subscription level in terms of proceeds to be raised from our IPO. However, in order to comply with the public spread requirement under the Listing Requirements, the minimum subscription level in terms of number of Shares will be the number of Shares required to be held by public shareholders of our Company to comply with the minimum public shareholding spread requirement under the Listing Requirements or as approved by Bursa Securities.

Under the Listing Requirements, we are required to have a minimum of 25.00% of our Shares held by at least 1,000 public shareholders, each holding not less than 100 Shares at the point of our Listing.

#### 4. DETAILS OF OUR IPO (CONT'D)

If the abovesaid public spread requirement is not met, we may not be able to proceed with the Listing. See Section 5.3.2 of this Prospectus for details in the event there is a delay or failure of our Listing.

#### 4.4 BASIS OF ARRIVING AT THE PRICE OF OUR IPO SHARES

Our Directors and Promoters, together with Interpac, have determined and agreed on the IPO Price of RM[●] per IPO Share, after considering the following factors:

- (i) our competitive strengths, business strategies and future plans (see Sections 7.2 and 7.3 of this Prospectus);
- (ii) the overview and prospects of our industry (see Section 8 of this Prospectus);
- (iii) our Company's financial performance and operating history as set out in Sections 12 and 13 of this Prospectus. Our EPS of 5.20 sen (based on our audited PAT attributable to the owners of our Company of RM25.98 million for the FYE 2023 and our enlarged total number of 500,000,000 Shares upon Listing) represents an implied PE Multiple of approximately [●] times;
- (iv) our pro forma NA per Share of RM[●] after our IPO, computed based on the pro forma statement of financial position of our Company as at 31 December 2023 and our enlarged total number of 500,000,000 Shares upon Listing; and
- (v) the prevailing market conditions which include market performance of key global indices and companies which are in businesses similar to ours, as well as investors' sentiments.

Based on the IPO Price, the total market capitalisation of our Company will be RM[●] million upon Listing.

You should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our IPO Shares before deciding to invest in our Shares. You are reminded to carefully consider the risk factors as set out in Section 5 of this Prospectus before deciding to invest in our Shares.

#### 4.5 DILUTION

Dilution is the amount by which the IPO Price exceeds our consolidated NA per Share after our IPO. Our pro forma consolidated NA per Share as at 31 December 2023 immediately before adjusting for our IPO was RM0.21, based on the total number of issued Shares of 421,200,000 Shares of our Company after the Acquisitions, Share Split and immediately prior to our IPO.

Upon issuance of the Issue Shares and after adjusting for effects of the utilisation of gross proceeds raised from our IPO, our pro forma NA per Share as at 31 December 2023 would be RM[●] per Share based on our Company's enlarged total number of 500,000,000 Shares. This represents:

- (i) an immediate increase in NA per Share of RM[●] to our existing shareholders; and
- (ii) an immediate dilution in NA per Share of RM[●], representing a [●]% dilution to our new investors.

**4. DETAILS OF OUR IPO (CONT'D)**

The following table illustrates such dilution on a per Share basis:

	<u>RM</u>
IPO Price	[•]
Pro forma consolidated NA per Share as at 31 December 2023 after the Acquisitions, Share Split and before adjusting for our IPO	0.21
Pro forma consolidated NA per Share as at 31 December 2023 after adjusting for our IPO	[•]
Increase in pro forma consolidated NA per Share to our existing shareholders	[•]
Dilution in pro forma consolidated NA per Share to new investors	[•]
Dilution in pro forma consolidated NA per Share to new investors as a percentage to the IPO Price	[•]%

Save as disclosed below, none of our Promoters, Directors, Key Senior Management, Substantial Shareholders and persons connected with them had acquired, obtained the right to acquire and/or subscribe for any of our Shares from the date of our incorporation up to the date of this Prospectus:

<u>Name</u>	<u>Date(s) of investment</u>	<u>No. of Shares allotted</u>	<u>Total consideration</u> (RM)	<u>No. of Shares after the Share Split</u>	<u>Effective cost per Share</u> (RM)
<b><u>Promoters and Substantial Shareholders</u></b>					
Lokah Fortune	[•] <sup>(1)</sup>	34,198,401	34,198,401	200,982,400	0.17
Tan Sri Joseph	16.06.2022 <sup>(2)</sup> , [•] <sup>(1)</sup>	1 5,657,554	1 5,657,554	33,249,200	0.17
Datuk Jonathan	16.06.2022 <sup>(2)</sup> , [•] <sup>(1)</sup>	1 2,850,252	1 2,850,252	16,750,800	0.17
Datuk Jessica	[•] <sup>(1)</sup>	8,507,814	8,507,814	50,000,000	0.17
Johannes Lo	[•] <sup>(1)</sup>	8,507,814	8,507,814	50,000,000	0.17
<b><u>Substantial Shareholders</u></b>					
Lo Vun Yee @ Josephine Lo	[•] <sup>(1)</sup>	2,836,504	2,836,504	16,670,000	0.17
Lo Vun Jiun	[•] <sup>(1)</sup>	2,836,504	2,836,504	16,670,000	0.17
Jacqueline Lo Ker Jack	[•] <sup>(1)</sup>	2,836,504	2,836,504	16,670,000	0.17
Joanna Lo Vun Shii	[•] <sup>(1)</sup>	2,836,504	2,836,504	16,670,000	0.17
<b><u>Key Senior Management</u></b>					
Lai Vui Kiong	[•] <sup>(1)</sup>	601,952	601,952	3,537,600	0.17

**Notes:**

- (1) Representing Shares allotted pursuant to the Acquisitions.  
(2) Representing Shares allotted upon incorporation of our Company.

Please refer to Section 6.3 of this Prospectus for further details of the issuance of Shares pursuant to the Acquisitions and Share Split.

#### 4. DETAILS OF OUR IPO (CONT'D)

##### 4.6 USE OF PROCEEDS

We intend to use the gross proceeds from the Public Issue of RM[●] million in the following manner:

<b>Details of use of proceeds</b>		<b>Estimated timeframe for use from the date of our Listing</b>	<b>RM'000</b>	<b>%</b>
(i)	Enhance our construction capabilities	Within 36 months	[●]	[●]
(ii)	Working capital for our construction projects	Within 12 months	[●]	[●]
(iii)	Repayment of bank borrowings	Within 6 months	[●]	[●]
(iv)	Estimated listing expenses	Within 3 months	[●]	[●]
<b>Total</b>			<b>[●]</b>	<b>100.00</b>

As shown above, we intend to use most of our Public Issue proceeds for repayment of bank borrowings and enhance our construction capabilities, fund our ongoing construction projects and tender for more road infrastructure projects. Further details of our use of gross proceeds from the Public Issue are set out below whilst further information on our business strategies and future plans are set out in Section 7.3 of this Prospectus.

##### 4.6.1 Enhancing our construction capabilities

Our core business strategy revolves around maintaining and elevating our position as a preferred road infrastructure contractor in Sabah. We intend to continue focusing on and enhancing our core strengths in road infrastructure construction. Our capacity to undertake construction projects and execute them within a competitive timeframe is dependent on amongst others, the ready availability of construction machinery and equipment to undertake the various types of construction works required for any given project. During the Period under Review, we have subcontracted portions of our projects to subcontractors who possess the necessary construction machinery and equipment. Our Group also has our own fleet of construction machinery and equipment, further details of which are set out in Section 7.19 of this Prospectus.

We intend to allocate RM[●] million from the Public Issue to enhance our construction capabilities in the following manner:

- (i) RM[●] million for expansion of our existing fleet of construction machinery and equipment in order to both enhance our construction capabilities and reduce our reliance on subcontractors and equipment leasing suppliers; and
- (ii) RM[●] million for investments in technological upgrades such as autonomous vehicle control modules for our existing vehicles, LiDAR-equipped drones and handheld augmented reality surveying equipment.

Based on our order book as at the LPD, we intend to spend approximately RM30.00 million from the LPD until end-2025 to acquire construction machinery and equipment such as excavators, dump trucks, motor graders, bulldozers and staff vehicles such as light trucks and SUVs. We intend to fund these acquisitions via the proceeds from the Public Issue as stated above, internally-generated funds and bank borrowings to be obtained.

#### 4. DETAILS OF OUR IPO (CONT'D)

An increase in our fleet size will enable us to improve our operational efficiency as we can better manage the use of our own fleet to undertake more construction works as opposed to relying on external subcontractors to perform such works. However, in order to maximise the utilisation of our fleet of construction machinery and equipment, we only intend to acquire such machines if such machines are required for our projects, and we do not own a sufficient number of such machines.

We also intend to spend approximately RM2.50 million from the LPD until end-2025 to purchase and install autonomous vehicle control modules on 2 motor graders, 2 bulldozers and 2 excavators (as at the LPD, 3 of our motor graders are equipped with such technological upgrades), purchase 1 LiDAR-equipped drone and purchase 4 sets of handheld augmented reality surveying equipment. We intend to fund these acquisitions via the proceeds from the Public Issue as stated above and internally-generated funds. Please refer to Section 7.10 of this Prospectus for further information on the technologies used by our Group.

From the LPD until the receipt of our IPO proceeds, we may proceed to acquire the above-mentioned machineries, equipment and vehicles by utilising our internally generated funds and/or bank borrowings. Upon the completion of our Proposed Listing, we will utilise the proceeds received from our Public Issue to enhance our construction capabilities to replenish our internally generated funds and/or repayment of bank borrowings.

##### 4.6.2 Working capital for our construction projects

Upon the commencement of our construction projects, our working capital requirements encompass cost of sales components and financing costs relating to performance bonds and retention sums. The core components of our cost of sales encompass subcontractor costs, construction materials, direct labour costs as well as project overhead and related costs. Together, these costs accounts for over 85% of our cost of sales during the Period under Review.

As our capacity to undertake construction projects is dependent on amongst others, our ability to secure new projects and our ability to fund our construction operations, we are required to have sufficient cash on hand in order to participate in project tenders, fulfil the requirements of newly awarded construction contracts, cover the mobilisation costs as well as fund the core components of our cost of sales.

We currently fund our working capital requirements through project financing facilities secured from banks as well as receipt of progress billings from our customers. As part of our internal cashflow plan, we also utilise overdraft facilities and revolving credit facilities to bridge the funding gap between disbursing payments to the subcontractors and suppliers and the receipt of progress billings from our customers.

We intend to allocate approximately RM[•] million of our IPO proceeds for our general working capital which will improve our liquidity and cashflow position. The allocation for our working capital is as follows:

Details	Amount (RM'000)
Payment to subcontractors for existing projects	[•]
Purchase of construction materials	[•]
Payment of direct labour costs	[•]
<b>Total</b>	<b>[•]</b>

#### 4. DETAILS OF OUR IPO (CONT'D)

The above allocation would reduce our Group's use of overdraft facilities and revolving credit facilities as well as free up more of our internally-generated funds, which would otherwise be used to meet such contractual obligations. This will improve our financial position, allowing us to reduce our reliance on external financing to fund the initial costs to be incurred prior to the commencement of a project as well as support our day-to-day construction operations. The freeing up of such funds will also allow us to fund more tender bonds, which are bonds provided by us when applying for a new tender to demonstrate our financial capabilities and intent to undertake the project, enabling us to tender for more road infrastructure projects as and when such opportunities arise, thereby fostering growth in our business operations.

##### 4.6.3 Repayment of bank borrowings

As at the LPD, our Group's total borrowings amounted to approximately RM162.54 million. We intend to use RM[●] million from the proceeds of the Public Issue to partially repay a revolving credit line with an outstanding amount of RM49.98 million as at the LPD granted by CIMB Bank Berhad.

The revolving credit line was obtained by Pembinaan AJ in 2018 to finance the working capital required for the execution of construction projects awarded by the Government to Pembinaan AJ. This includes financing of performance guarantees, purchase of construction materials and payment to subcontractors. This revolving credit line has a tenure of 3 months and is subject to renewal prior to expiry. The Group has not encountered any difficulties in obtaining the renewal of this revolving credit line since the initial drawdown up to the LPD.

The revolving credit line to be repaid from the proceeds of the Public Issue bears a weighted average effective interest rate of 6.20% for the FYE 2023. From the LPD until the full repayment of these facilities, we will continue to service the monthly principal payments and interest expenses of these facilities from internally generated funds.

The repayment of the revolving credit line is expected to have a positive financial impact on our Group with interest savings of approximately RM[●] million per annum based on the weighted average effective interest rate of 6.20%.

Further information on our bank borrowings are set out in Section 12.4.3 of this Prospectus.

##### 4.6.4 Estimated listing expenses

The estimated expenses and fees for our IPO and Listing to be borne by us are estimated to be RM[●] million, details of which are as follows:

<b>Expenses</b>	<b>RM'000</b>
(i) Professional fees	[●]
(ii) Brokerage, underwriting and placement fees	[●]
(iii) Fees payable to authorities	[●]
(iv) Fees and expenses relating to printing of Prospectus and advertising	[●]
(v) Miscellaneous expenses and contingencies	[●]
<b>Total</b>	<b>[●]</b>

#### 4. DETAILS OF OUR IPO (CONT'D)

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If the actual listing expenses are higher than budgeted above, the deficit will be funded from the proceeds allocated for general working capital described in Section 4.6.2 of this Prospectus and vice versa.

Pending the eventual use of the gross proceeds from the Public Issue for the above intended purposes, the funds will be placed in short-term deposits with licensed financial institutions and/or short-term money market instruments.

We will not receive any proceeds from the Offer for Sale. The Offer for Sale will raise gross proceeds of approximately RM[●] million which will accrue entirely to our Offerors. Our Offerors will be bearing their own placement fees in respect of our IPO.

#### 4.7 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEES

For the services of Interpac, being our Sole Underwriter and Sole Placement Agent in managing the distribution of the IPO Shares, we will pay a non-refundable management fee at the rate of 0.50% of the total value of all the IPO Shares under both Retail Offering and Institutional Offering. The management fee is subject to the taxes prevailing in Malaysia.

##### 4.7.1 Brokerage fee

We will pay brokerage fee in respect of the 25,000,000 Issue Shares under the Retail Offering at the rate of 1.00% of the IPO Price for successful applications which bear the stamp of participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association in Malaysia and/or the Issuing House. The brokerage fee is subject to the taxes prevailing in Malaysia.

##### 4.7.2 Underwriting commission

Our Sole Underwriter has agreed to underwrite all the Issued Shares under the Retail Offering (“**Underwritten Shares**”). Notwithstanding this, the final number of IPO Shares to be taken up by our Sole Underwriter shall be such remaining Underwritten Shares not applied for after being subject to clawback and reallocation provisions set out in Section 4.3.4 above. We are obliged to pay our Sole Underwriter an underwriting commission at the rate of 1.75% of the total value of the Underwritten Shares underwritten at the IPO Price. The underwriting commission is subject to the taxes prevailing in Malaysia.

##### 4.7.3 Placement fee

Our Sole Placement Agent has agreed to place out 93,800,000 IPO Shares under the Institutional Offering.

We are obliged to pay our Sole Placement Agent a placement fee at the rate of 1.75% of the total value of the Issue Shares successfully placed out to investors at the IPO Price. The placement fee is subject to the taxes prevailing in Malaysia.

The Offerors will bear the placement fee in respect of the Offer Shares.



#### **4. DETAILS OF OUR IPO (CONT'D)**

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##### **4.8 UNDERWRITING AGREEMENT**

Pursuant to the Underwriting Agreement, our Sole Underwriter has agreed to underwrite all the 35,000,000 IPO Shares under the Retail Offering. Notwithstanding this, the final number of Issue Shares to be taken up by our Sole Underwriter shall be such remaining Issue Shares under the Retail Offering not applied for after being subject to clawback and reallocation provisions set out in Section 4.3.4 above. Details of the underwriting commission are set out in Section 4.7.2 above.

The salient terms of the Underwriting Agreement which, amongst others, may allow the Sole Underwriter to withdraw from its obligations are as follows:

[•]

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#### 4. DETAILS OF OUR IPO (CONT'D)

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##### 4.9 TRADING AND SETTLEMENT IN SECONDARY MARKET

Pursuant to subsection 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Security. Upon our Listing, our Shares will be traded through Bursa Securities and settled by book-entry settlement through CDS (which is operated by Bursa Depository). This will be effected in accordance with the provisions of SICDA and the Rules of Bursa Depository. Accordingly, our Company will not deliver share certificates to the subscribers of our IPO Shares.

Beneficial owners of our Shares are required under the Rules of Bursa Depository to maintain the Shares in CDS Accounts, either directly in their name or through authorised nominees. Persons whose names appear in the Record of Depositors maintained by Bursa Depository will be treated as the shareholders of our Company in respect of the number of Shares credited to their respective CDS Accounts.

Transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired. No transfer stamp duty is currently payable for our Shares that are settled on a book-entry basis, although there is a nominal transfer fee of RM10 payable for each transfer not transacted on the market.

All Shares held in CDS Accounts shall not be withdrawn from the CDS except in the following instances:

- (i) to facilitate a share buy-back;
- (ii) to facilitate conversion of non-equity securities;
- (iii) to facilitate company restructuring process;
- (iv) where a body corporate is removed from the Official List;
- (v) to facilitate a rectification of any error; and
- (vi) in any other circumstances as determined by Bursa Depository from time to time, after consultation with the SC.

Trading for shares of companies listed on Bursa Securities is normally done in "board lots" of 100 shares. Investors who desire to trade less than 100 shares shall trade under the odd lot market. Settlement and payment of trades done on a "ready" basis on Bursa Securities generally takes place on the third Market Day following the transaction date.

It is expected that our Shares will not commence trading on Bursa Securities until about 10 Market Days after the close of our IPO. Holders of our Shares will not be able to sell or otherwise deal in our Shares (except by way of book-entry transfers to other CDS Accounts in circumstances which do not involve a change in beneficial ownership) prior to the commencement of trading on Bursa Securities.

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## 5. RISK FACTORS

**IN EVALUATING AN INVESTMENT OF OUR IPO SHARES, YOU SHOULD CAREFULLY CONSIDER ALL INFORMATION CONTAINED IN THIS PROSPECTUS INCLUDING THE FOLLOWING INVESTMENT CONSIDERATIONS AND RISKS.**

### 5.1 RISKS AFFECTING OUR BUSINESS AND OPERATIONS

#### 5.1.1 We are highly dependent on the Ministry of Works, Malaysia and JKR Sabah as our major clients

During the Period under Review and up to the LPD, all of our construction project revenue was contributed by construction contracts for the Ministry of Works, Malaysia and JKR Sabah. The revenue contributions of both clients are as follows:

	FYE 2021		FYE 2022		FYE 2023	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Revenue from construction projects undertaken by our Group</b>						
- As sole contractor	212,040	91.61	287,801	96.96	263,440	93.83
- Via joint arrangements with another construction company <sup>(1)</sup>	-	-	712	0.24	10,231	3.64
<b>Total</b>	<b>212,040</b>	<b>91.61</b>	<b>288,513</b>	<b>97.20</b>	<b>273,671</b>	<b>97.47</b>
<b>Clients</b>						
- Ministry of Works, Malaysia	142,119	61.40	196,984	66.36	185,091	65.92
- JKR Sabah	69,921	30.21	91,529	30.83	88,580	31.55
<b>Total</b>	<b>212,040</b>	<b>91.61</b>	<b>288,513</b>	<b>97.20</b>	<b>273,671</b>	<b>97.47</b>
<b>Total revenue of our Group</b>	<b>231,457</b>	<b>100.00</b>	<b>296,838</b>	<b>100.00</b>	<b>280,766</b>	<b>100.00</b>

**Note:**

(1) Represents the Kota Belud Road Project which was awarded to our construction partner and we were brought on via joint arrangements to jointly execute the project.

[As at the LPD], we have 8 ongoing construction projects with a total unbilled contract value of RM1.08 billion, which is expected to contribute to our revenues for the FYEs 2024 to 2027. Based on our existing order book, our construction project revenue will continue to be generated from the Ministry of Works, Malaysia and JKR Sabah until all awarded contracts by them to our Group or to our construction partner are completed.

The termination of any of our ongoing construction projects by the Ministry of Works, Malaysia or JKR Sabah for any reason including our failure or the failure of construction partner in relation to the projects undertaken via joint arrangements to renew the existing licenses, certifications and registrations in a timely manner, fulfil any of the conditions as set out in the construction contracts or the premature termination of our joint arrangements resulting in the loss of our Group's right to participate in the remaining revenues of such projects, would result in a decrease in our order book which will in turn have a material adverse impact on our business and financial performance. Please refer to Section 7.4.1 of this Prospectus for the details of our ongoing construction projects.

## 5. RISK FACTORS (CONT'D)

Although we have not experienced any material disputes with the Ministry of Works, Malaysia or JKR Sabah to-date, there is no assurance that our current working relationship with them will not deteriorate or we would continue to secure new projects from them in the future upon completion of the existing construction projects. As such, our Group's sustainability, revenue and financial performance will be materially and adversely affected if there is any termination of our business relationship with the Ministry of Works, Malaysia or JKR Sabah.

### 5.1.2 Our business is dependent on our ability to secure new projects to replenish our order book

Due to the project-oriented nature of our construction business, our revenue relies on the execution and completion of construction projects. Such projects are contract-specific, requiring our Group to undertake amongst others, design and engineering work, project planning and management, and/or construction works for a period ranging from a few months to several years, depending on the scale and complexity of the projects awarded to us.

Therefore, our business and financial performance is dependent on our ability to secure new projects to continuously replenish our order book. Please refer to Section 7.7 of this Prospectus for details of the business development and marketing strategies employed by our Group in order to secure new projects.

Despite our continuous business development and marketing efforts, there is no assurance that we will be able to continuously secure new projects and replenish our order book in the future, nor can we assure that new construction projects secured in the future would be as commercially favourable to us in terms of overall project profitability as compared with our past or ongoing construction projects. If we fail to secure new projects, the value of our order book may decrease, and this may have a material adverse impact on our business and financial performance.

### 5.1.3 We depend on the services of our subcontractors to perform specific tasks for our projects

We engage external subcontractors to carry out specific construction works for our projects particularly those requiring specialised expertise which our Group does not possess such as piling work, and other construction works which we deemed more cost effective to be subcontracted to external subcontractors.

The proportion of construction works subcontracted out to third parties as compared to construction works performed in-house is dependent on various factors, including the economical costing, the specific work required for any given stage of construction, the timeframe available to complete such works and if our in-house capabilities are better utilised for other projects. During the Period under Review, our subcontractor costs have reduced from 66.06%, to 43.75% of our total construction cost of sales for the FYE 2021 and FYE 2023, respectively.

We select our subcontractors after considering such factors as their track record, financial capability, work quality, resource capacity and pricing. Their scope of work, contract value as well as any other terms and conditions such as retention sum, and milestone deadlines are set out in the contracts awarded to our subcontractors. We can seek damages or compensation in the event of late performance or non-performance by our subcontractors.

## 5. RISK FACTORS (CONT'D)

Whilst we only work with subcontractors who meet our internal criteria for selection and appointment, we remain subject to the risks associated with poor, late or non-performance by our subcontractors after their appointment resulting from amongst others, subsequent financial difficulties, loss of the requisite permits, licenses and certificates or loss of key personnel. In such circumstances, we may be required to terminate our subcontractors and either appoint a replacement subcontractor or perform the works in-house, which may result in a delay in the project implementation or an unexpected diversion of our construction resources. While we may attempt to seek compensation from the relevant subcontractors, we may, from time to time, be required to compensate our clients before receiving the said compensation from the relevant subcontractors. For information, we have not experienced any material issues with our appointed subcontractors in relation to poor, late or non-performance of their work in the past save for our ongoing dispute with OTA Tunnel Squad Sdn Bhd whereby we are claiming from them for agreed liquidated damages for delays in the performance of their works pursuant to an ongoing litigation case. Please refer to Section 14.6(i) of this Prospectus for further details of this ongoing litigation.

In the event that we are unable to seek compensation from the relevant subcontractors or the amount of the claims from our clients cannot be recovered in full or at all from the subcontractors, we may be required to bear some or all the costs of the claims from our clients, which may in turn materially adversely affect our results of operations and financial performance. Furthermore, if the works performed by our subcontractors do not meet the standards of our clients, our reputation may also be materially adversely affected.

For the Period under Review and up to the LPD, we have not experienced any material claims from our clients relating to the work completed by our subcontractors. Nevertheless, there is no assurance that we would not experience any claims from our clients relating to the poor, late or non-performance of our subcontractors in the future.

### 5.1.4 We are subject to unanticipated increases in the cost of construction materials, subcontractors and labour costs

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. We also allocate a budgeted contingency cost when determining our pricing to account for potential increases in the prices of such inputs.

Our construction contracts are typically based on a fixed rate contract where the contract value, the price of the construction materials and the scope of work are agreed at the point our Group is awarded the contract. In addition, certain of our contracts allow us to claim additional money to cover the significant increases in the cost of our construction materials, subject to the approval of our clients.

During the Period under Review, the construction materials mainly used by our Group were concrete and cements, steel materials, guardrails, precast concrete products and geotextile filters. The largest components of this were concrete and cements and steel materials, which accounted for 40.03%, 45.68% and 62.78% of the total construction materials costs for the FYEs 2021, 2022 and 2023, respectively. The supply and prices of such construction materials are subject to fluctuations in commodity prices which are outside of our Group's control and during the Period under Review, we had experienced material fluctuations in the prices of steel, concrete and cement as follows:

- (i) the average purchase price of steel increased by 13.64% in May 2021 as compared to April 2021 and decreased by 9.77% in August 2022 as compared to July 2022;

## 5. RISK FACTORS (CONT'D)

- (ii) the average purchase price of cement increased by 13.14% in November 2021 as compared to October 2021; and
- (iii) the average price of concrete increased by 7.67% in November 2021 as compared to October 2021.

However, despite the fluctuations above, we were able to pass on the increased cost in construction materials to our client through a variation of the price rates of common construction materials such as steel rebar, concrete, aggregate and cement. During the Period under Review, we have been able to claim for increases in the cost of construction materials in respect of our fixed rate contracts including the Pan Borneo Highway (WP06) Project due to the EOTs obtained from the client. As such, the fluctuations in construction materials above did not have any material impact to our financial performance.

In addition, in the event of a delay in the construction project which was caused by events outside of our Group's control (such as the imposition of the MCO, changes in the project design requested by the client and delays in land acquisition) and for which an EOT was granted by the client, we may claim additional monies from the client to cover increases in the cost of such construction materials, subject to the clients' approval. However, in the event of project delays attributable to us which may be caused by delays in works performed by our subcontractors or by our in-house labour, we will be required to absorb any such increase in the construction costs.

Should we encounter any increase in costs that we are unable to pass on to our clients, it could result in project cost overruns, potentially exerting a negative impact on our profit margins and financial performance.

During the Period under Review, subcontractor costs accounted for approximately 66.06%, 46.37% and 43.75% of the total construction cost of sales for the FYEs 2021, 2022 and 2023, respectively, while labour costs accounted for approximately 11.07%, 7.90% and 7.43% for the FYEs 2021, 2022 and 2023, respectively.

Due to the time gap between the original estimation of preliminary cost, to the hiring of subcontractors, and hiring of skilled and unskilled labour for each progressive stage of a construction contract, which could take years to complete, may result in the actual prices of subcontractor costs and labour costs being higher than originally estimated. Should we be unable to pass on such cost increases to our clients, this could have a material adverse impact on our business and financial performance.

For the Period under Review, save for the above, we did not experience any material unanticipated increase in the cost of construction materials, subcontractors and/or labour. Whilst we are experienced in project cost estimation, there is no assurance that we will not face any unforeseen or persistent increase in construction costs, the occurrence of which, coupled with an inability to pass on the increase to our clients, may materially adversely affect our profitability and financial performance.

### 5.1.5 Our joint arrangements with other construction companies to undertake construction projects are subject to the risk of non-performance / termination

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. For the avoidance of doubt, our Group has only undertaken joint arrangements which did not involve the incorporation of a special purpose vehicle or construction consortium.

## 5. RISK FACTORS (CONT'D)

Whilst our Group is selective in our choices of construction companies to partner with, taking into consideration amongst others, their reputation, track record and financial capability, there is no guarantee that our construction partner(s) will be able or willing to continue fulfilling their obligations under the terms of the construction contract awarded to us or the terms of any agreements entered into with our Group.

For contracts which were awarded by the client to our construction partner (including the 2 listed above), 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.

In addition, should our construction partner experience a suspension or loss of the necessary permits, licenses, approvals or certifications or is wound up, the client of those projects may be entitled to terminate the construction contract. In the event of such termination, there is no guarantee the client will re-award the contract to either our Group or to another consortium in which our Group is a member of. The termination of construction contracts may have a material adverse effect on our reputation, business, financial performance and future prospects.

In 2017, Borneo Highway PDP Sdn Bhd, a project delivery partner appointed by the Government, awarded a construction contract to Pembinaan AJ for the construction of work package 6 of the Pan Borneo Highway. This project was undertaken by our Group via joint arrangement with Kumpulan Liziz Sdn Bhd ("**Liziz**"). Subsequently, Liziz entered into financial difficulties, and on 25 July 2019, terminated our collaboration following which, Pembinaan AJ took over such works and continued to carry on the construction project.

Whilst there was no material impact to our Group's business operations, the termination of the collaboration with Liziz resulted in an allowance for expected credit losses of RM7.83 million and RM4.26 million to be recognised in FYE 2020 and FYE 2022, respectively. Save for the financial difficulties experienced by Liziz which resulted in the termination of our collaboration, there have been no other breaches of terms of any agreements and/or non-performance of obligations relating to our joint arrangements in the past. 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. This was due to a change in Government policy to directly award the projects to the main contractor instead of via a project delivery partner appointed by the Government. This project is ongoing as at the LPD and Pembinaan AJ is the sole main contractor. Please refer to Section 7.24(ii) of this Prospectus for further information on our previous collaboration with Liziz.

For the Period under Review and up to the LPD, 2 of our ongoing projects, namely the Kota Belud Road Project and the Pan Borneo (WP13) Project, are undertaken via joint arrangements with another construction company. As at the LPD, these 2 projects have remaining revenues of RM410.52 million, which represents approximately 38% of our order book.

These 2 projects were awarded to our construction partner and we were brought on via joint arrangements. There is no assurance that such arrangements will not be terminated prematurely and such termination may have a material adverse effect on our reputation, business and financial performance.

## 5. RISK FACTORS (CONT'D)

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### 5.1.6 We may experience a delay in / non completion of our projects

We are obligated to complete our construction projects within the timeframe as stipulated in the construction contracts awarded to us. In the event of a delay, we would usually seek an EOT from our client, which is subject to their approval. Any unapproved extension in the amount of time it takes for us to fulfil our contracted obligations may subject us to LAD claims from our clients, which may have a material adverse effect on our reputation and financial performance. Delays in our projects may also result in project cost overruns which may also have a material adverse effect on our financial performance.

Delays may occur due to various reasons including delays in obtaining necessary permits or approvals from regulatory authorities, disruption in the supply of construction materials and equipment, shortage of construction workers, delays by our subcontractors, natural disasters including floods and landslides as well as mandatory shutdowns by the authorities for amongst others, on-site accidents and outbreaks of pandemics or other infectious diseases.

In the past, we had experienced delays due to various factors including the outbreak of COVID-19 and the imposition of the MCO on 18 March 2020 which had affected all of our ongoing construction projects at that time, namely the Jalan Lintas Upgrading Project, Jalan UMS Upgrading Project and Pan Borneo Highway (WP06) Project. Our business operations were temporarily suspended from 18 March 2020 to 14 April 2020 during the first MCO, resulting in a slowdown in our completion of our ongoing projects. Furthermore, construction delays to our construction projects have also occurred due to amongst others, additional works required to be performed requested by the client, relocation of utilities by third party contractors engaged by the client and delays in the acquisition of land by the relevant government authorities. Nevertheless, we have applied for and were granted EOTs for all our ongoing projects, and as at the LPD, we are on track and expect to complete the projects within the current approved project timeline.

While we manage our projects closely to adhere to these timeframes, there is no assurance that factors beyond our control may hinder timely completion of our projects and such delays may have a material adverse effect on our financial performance.

### 5.1.7 We are subject to the risk of defect liability claims from clients for our projects

The DLP for our construction projects varies from contract to contract, typically ranging from 12 months to 24 months from the issuance of the CPC, which signifies the official handover date of our completed projects to our clients. During the DLP, we are liable for repairing and rectifying of any defects related to our construction works, including those carried out by our subcontractors.

We are allowed to seek damages or compensation from our subcontractors in the event of delays, non-performance or subpar performance on their part. If we are unable to seek redress from our subcontractors, we may need to bear the cost for such repair or rectification, leading to potential project cost overruns. If these repairs, damages or defect are material, it would have a material adverse impact on our business operations and financial performance. We have also purchased contractor all risks insurances for all our projects to protect us financially, including in the event of defect liability claims from our clients and other third-parties.

During the Period under Review up to the LPD, we have not experienced any material claims, including defect liability claims or compensation demands from our clients. However, while we strive to maintain the quality of our construction work, there can be no assurance that we will not be subject to any material claims from our clients in the future.



## 5. RISK FACTORS (CONT'D)

### 5.1.8 Our construction activities are dependent on our continued ability to obtain the requisite permits, licenses, approvals and certifications

As a contractor operating in the State of Sabah, our Group must comply with various requirements mandated by applicable laws and regulations, including the policies and procedures established by authorities for the enforcement of these legal provisions. All 4 of our Subsidiaries are registered as Grade 7 contractors with the CIDB which allows us to undertake construction projects with unlimited tendering capacity in Malaysia. In addition, Pembinaan AJ is registered as a holder of the SPKK as well as a Class A contractor with PUKONSA. The PUKONSA registration allows Pembinaan AJ to participate in any government procurement in the field of construction with tendering capacity of RM5,000,001 and above in the State of Sabah.

Pembinaan AJ has also been granted Bumiputera status certification from the Ministry of Entrepreneur and Cooperatives Development of Malaysia which allows Pembinaan AJ to participate in government projects requiring such certification. For information, the construction contracts secured which required the contractor to have the mentioned Bumiputera status certification as a prerequisite for their appointment are Jalan UMS Upgrading Project, Pulau Sebatik Road Project, Kota Belud Road Project, Pan Borneo Highway (WP12) Project and Pan Borneo Highway (WP13) Project.

The abovementioned licenses, certifications and registrations are subject to the conditions imposed by the relevant authority as further set out in Annexure B of this Prospectus. Failure to comply with such conditions could result in fines and penalties as well as the suspension, revocation or non-renewal of such licenses, certifications and registrations which will in-turn result in the termination of our ongoing construction contracts and an inability of our Group to secure new construction projects. As such, the loss of any such licenses, certifications and registrations would have a material adverse impact on our Group's business operations, financial performance, future growth and prospects.

In the past, Pembinaan AJ was subject to disciplinary actions by CIDB relating to the delay in payment of levy for work package 6 of the Pan Borneo Highway project and failure to furnish the list of its construction workers following a notice of the same issued by CIDB to Pembinaan AJ. As at the LPD, both disciplinary actions taken by CIDB against Pembinaan AJ have been withdrawn and there are no further disciplinary actions taken by CIDB against us. Please refer to Section 7.24(i) of this Prospectus for further information on the disciplinary actions taken by CIDB against Pembinaan AJ.

In addition, the requisite permits, licences, certificates and approvals required for the development and construction works includes, amongst others, planning permits, construction plans approvals, advertising and sale permits and certificates or confirmation of completion ("**Development and Construction Approvals**"). The Development and Construction Approvals must be obtained from the relevant authorities at the appropriate stage, corresponding to the development progress of our construction work and is subject to the satisfaction of the applicable conditions.

While we have thus far obtained the appropriate approvals in a timely manner, there can be no assurance that we will not encounter problems in obtaining such Development and Construction Approvals and fulfilling the associated conditions in the future.

There can be no guarantee that we will be able to comply with the existing laws, regulations or policies or adapt to new laws, regulations or policies that may come into effect from time to time with respect to our construction business. If we fail to obtain the renewals of our existing licenses, certifications and registrations or the relevant Development and Construction Approvals in a timely manner or fulfil any of the conditions required, our projects may not be completed in accordance with the agreed

## 5. RISK FACTORS (CONT'D)

project schedule, which may in turn result in termination of our contracts, thereby materially adversely affecting our business, reputation, financial performance as well as our future growth and prospects.

### 5.1.9 We are dependent on our skilled and experienced personnel and the loss of their continued services may affect our operations and future growth

Our Promoter and Non-Independent Executive Chairman, Tan Sri Joseph, has over 45 years of experience in the construction industry and has played a vital role in charting the strategic direction of our Group. Throughout the years, Tan Sri Joseph has also been guiding his children in the management of various aspects of our business and currently, our Group is led by our Non-Independent Managing Director, Datuk Jonathan, and our Non-Independent Executive Director, Datuk Jessica. They are in turn, supported by our Key Senior Management team.

Our Group's continued success depends largely on the experience, expertise and continuous efforts of our Executive Directors and Key Senior Management who are directly responsible for our Group's daily operations. The unexpected departure of any one of them could disrupt our business operations and hamper our growth. There is no assurance that in the event we lose any of our key people, that we would be able to identify and/or recruit suitable replacements in a timely manner, or at all.

The smooth operation of our construction projects also depends on the contributions and expertise of our skilled project management teams for each project. In addition, the shortage of any skilled employees such as project managers, quantity surveyors, and equipment operators could affect our construction operations, potentially hampering our construction operations.

Nevertheless, there is no assurance that any change in the executive directors and key management team will not have a material adverse effect on our Group's business and future performance.

### 5.1.10 We are dependent on project financing and the associated interest rate risk

Our operations as well as the continued growth of our business are dependent on our ability to secure adequate project financing from financial institutions, thereby exposing us to the risk of unforeseen adverse interest rate fluctuations and potential financial distress should we fail to meet our obligation within our financing agreements.

Our primary sources of working capital funding encompass progress billings and bank borrowings including term loans, bank overdrafts and revolving credits. Furthermore, we may utilise bank guarantees to secure tender bonds and performance bonds, which are utilised throughout the entire construction contract lifecycle, from the initial tender process to the fulfilment of our obligations to our clients, in accordance with the respective contract terms.

Failure to secure the necessary project financing could limit our future growth as we would not be able to take on larger projects, adversely affecting our cash flow and working capital requirements. In the event we fail or experience challenges in meeting our financial commitments within our financing agreements, we could face financial distress which will materially adversely affect our operations and financial performance.

For the Period under Review and up to the LPD, we have managed all our project financing without defaults on either principal or interest payments relating to our borrowings. As at the LPD, our total borrowings amounted to RM162.54 million, comprising RM100.07 million subject to floating interest rates and RM62.47 million subject to fixed interest rates. Any adverse interest rate fluctuation may result in an increase in finance costs which may have a material adverse impact on our profitability and our financial performance.

## 5. RISK FACTORS (CONT'D)

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### 5.1.11 We are subject to risk associated with workplace safety and health at our construction sites

Our construction projects are carried out by our employees and subcontractors along with their respective employees. Despite implementation of safety protocols and procedures in our operations, there is no assurance that these protocols and procedures are all encompassing, or that our employees will consistently adhere to them.

In the event of personal injuries or fatal accidents occurring at our construction sites, we may be liable to claims or legal actions. Furthermore, we could also be subject to fines, penalties, investigation by relevant authorities such as the Department of Occupational Safety and Health, or receive prohibition notices and stop-work orders, potentially resulting in suspensions, disruptions in our operations and project completion delays. Although we have instituted control measures at our construction sites, there is no assurance that accidents can be averted. Any fines and penalties issued, or investigation conducted by relevant authorities in relation to accidents at our construction sites that occurred beyond our control, our business operations and financial performance may be materially adversely affected.

On 28 May 2023, we had an accident involving one of our site engineers at one of our construction sites which resulted in the amputation of a limb of said site engineer. Following an internal investigation conducted by our safety and health officer and reported to the Department of Occupational Safety and Health and JKR Sabah, it was concluded that the incident occurred due to a lack of supervision by our subcontractor and a malfunction in the reverse horn siren/alarm of the construction machinery of our subcontractor. As at the LPD, there were no fines, penalties or further investigations brought upon us by the authorities on the incident. Although we had existing safety measures in place at our construction sites at the time when the accident occurred, we have nevertheless implemented additional safety measures including conducting site safety briefing to all site personnels as well as requiring a daily inspection on all heavy machinery to be conducted.

We have not experienced any claims or legal proceedings relating to personal injuries or fatal accidents for the Period under Review and up to the LPD. Nevertheless, there is no assurance that we would not experience such claims in the future.

We face operational risks that encompass accidents occurring at the project sites and damage to our construction equipment. To mitigate this risk, we have been maintaining certain insurance policies, including contractors' all risks insurance (providing coverage for damages to contract works or property and third-party liability in cases of accidental bodily injury or property damage involving third parties) workmen's compensation insurance for every project, coverage for our construction equipment and fire for our business operations. Despite our insurance coverage across various facets of our business, there can be no assurance that it will fully cover all losses, damages or liabilities that may arise during our business operations. Any losses or damages exceeding of our insured limits or occurring in areas where we lack insurance coverage could have a materially adverse effect on our business operations, financial performance and results of operations.

### 5.1.12 We may be materially and adversely affected by events relating to outbreak of diseases, epidemics or pandemics

The pandemics of the recent years have demonstrated the speed at which contagious diseases is able to spread globally. Examples of recent contagious diseases include the COVID-19 virus, Middle East respiratory syndrome, Ebola, severe acute respiratory syndrome, swine flu (e.g., H1N1) and avian flu (e.g., H5N1), and Zika virus highlight the continuing risks of contagious diseases that may affect our business and operations.

## 5. RISK FACTORS (CONT'D)

The recent COVID-19 pandemic had caused a major economic crisis globally. As a result, during the Period under Review, we had experienced delays in our construction projects due to the outbreak of COVID-19. However, we have applied for and were granted EOTs for all our ongoing projects, and we were not penalised from the delay in our projects from our client, which may have caused an impact on our financial condition.

Should the COVID-19 outbreak becomes severe again or an outbreak of a contagious disease occurs that result in restrictions imposed by the Malaysian government such that we and/or our suppliers and subcontractors are required to suspend all or parts of their business operations, we may experience a delay or shortage of construction materials, halt in our construction activities by our internal construction teams or subcontractors which may cause delays in project deliveries, etc. In such an event, our business, financial condition and results of operations may be materially and adversely affected. Our revenue and profitability may also be materially affected if any infectious disease outbreak affect Malaysia's overall economic and market conditions, resulting in an economy slowdown and/or negative business sentiments.

While the impact of the COVID-19 pandemic on our Group's business has not been material to date, there is no assurance that the risks associated from the outbreaks of any contagious diseases will not have a material adverse effect on our business operations and financial performance in the future.

### 5.2 RISKS RELATING TO OUR INDUSTRY

#### 5.2.1 We are dependent on the continued Government infrastructure spending in the state of Sabah

We are principally involved in the provision of construction services and have established ourselves as a road infrastructure specialist. For the Period under Review, all of our projects are infrastructure-related projects in the State of Sabah with all of our construction revenue derived from contracts with Government agencies, namely the Ministry of Works, Malaysia and JKR Sabah. As such, our business is dependent on continued Government infrastructure spending in Sabah particularly on new infrastructure works.

Government infrastructure spending in Sabah is subject to Government development policies and any adverse changes in such policies, particularly on infrastructure spending could materially adversely affect the performance of the construction sector in Sabah. There can be no assurance that any future unfavourable changes in Government policies including any reduction in Government investment in new infrastructure in the state of Sabah or the termination or suspension of any of our ongoing projects, will not have a material adverse impact on our business, results of operations and financial performance.

There also no assurance that the Ministry of Works, Malaysia or JKR Sabah will continue to award us with new contracts in the future. The termination or suspension of ongoing construction contracts or our inability to secure new construction contracts from Government agencies would have a material adverse impact on our business, results of operations and financial performance.

## 5. RISK FACTORS (CONT'D)

### 5.2.2 We face competition risk from other construction companies

The construction industry is highly fragmented and competitive. According to the IMR Report, there were 3,206 local Grade 7 contractors specialising in road and pavement construction under the civil engineering category in Malaysia as of June 2024, out of which 326 contractors were located in Sabah (4 of which are our Subsidiaries). In addition, as at the LPD, 18 construction companies were awarded 19 work packages of the Pan Borneo Highway Project in Sabah, of which our Group were awarded 3 work packages (2 as the sole main contractor and 1 as part of a joint arrangement with another construction company).

These construction companies were either awarded the projects as the sole main contractor or as part of a joint venture. These other construction companies and joint ventures would have met the pre-qualification requirements of the Ministry of Works, Malaysia to be awarded such major construction projects, similarly to Pembinaan AJ. Please refer to Section 7.8 of this Prospectus for further information on the pre-qualification requirements to be met for construction projects.

These other construction companies who are able to meet the pre-qualification requirements to be met for the Pan Borneo Highway Project in Sabah can be considered to be our direct competitors. The existence of 17 other construction companies in Sabah qualified to undertake the Pan Borneo Highway Project in Sabah may result in greater competition in this space, which may lead to greater competitive pressures on pricing and timing of project delivery. In addition, certain of these competitors may have a longer operating track record and more resources in terms of capital, machinery and equipment, and manpower as compared to us.

According to the IMR Report, the value of civil engineering works (infrastructure construction) performed in the state of Sabah in 2023, was approximately RM4.62 billion and our construction revenue for the FYE 2023 of RM274.77 million represents approximately 5.94% of that amount.

Although we have our competitive strengths as further set out in Section 7.2 of this Prospectus, there is no assurance that we will be able to compete effectively against our competitors. In the event we are unable to build on our competitive strengths to remain competitive moving forward, our business and financial performance may be adversely affected.

### 5.2.3 We may be unable to procure an adequate supply of construction materials and/or construction workers particularly skilled machine operators

The primary inputs for construction activities are construction materials and labour. For construction works which are subcontracted out, our subcontractors are responsible for procuring the required construction materials and labour to fulfil such subcontracts. The inability of our Group or our subcontractors to procure adequate construction materials and/or labour in a timely manner would have a material adverse impact on our operations and financial performance.

During the Period under Review, the construction materials mainly used by our Group were concrete and cements, steel materials, guardrails, precast concrete products and geotextile filters. The largest components of this were concrete and cements and steel materials, which accounted for 40.03%, 45.68% and 62.78% of the total construction materials costs for the FYEs 2021, 2022 and 2023, respectively. The supply of certain of these construction materials may fluctuate in tandem with the global commodity prices which are outside of our Group's control.

## 5. RISK FACTORS (CONT'D)

For the Period under Review, a majority of our construction materials are supplied by local suppliers, and we have not encountered any major disruptions in the supply of construction materials. However, there can be no assurance that any shortages of construction materials or any increase in construction material prices will not have any material adverse effect on our business operations and financial performance.

Construction activities are labour intensive, and any shortage of labour may potentially lead to delays in project completion and the risk of LAD claims from our clients. We and our subcontractors rely on both local and foreign labour to carry out our construction activities. As at the LPD, 302 or 89.35% of our construction workers are local while only 36 or 10.65% of our construction workers are foreign, all of whom possessed valid work permits. For avoidance of doubt, any foreign workers pending renewed work permits will not engage in work at our sites until such work permits are renewed. Accordingly, our workforce may face shortages in the event the work permits are not renewed.

We compete with other construction players in Malaysia for construction workers, particularly for skilled machine operators who are able to operate specialised construction machinery such as bulldozers, excavators and motor graders. Although we mainly employ local workers, our construction operations remain contingent on the availability of labour, which is subject to the overall supply and demand for labour in the state of Sabah. The supply of foreign workers in the Malaysian construction industry is subject to Government regulations that may undergo changes over time. Should there be restrictions imposed on the hiring of foreign workers, the construction industry could experience foreign labour shortages which would increase competition for local labour which may in turn affect our ability to hire our desired number of local workmen to undertake our projects efficiently. In addition, there is no assurance that we will not require more foreign workers, nor can we assure that we would be able to procure an adequate supply of both local and foreign workers in the future. Shortages in our labour may have a material adverse effect on our business, operations and financial performance.

For the Period under Review up to the LPD, our Group has not experienced a shortage of workers (local and foreign), nor has it had any LAD claims from our clients. In respect of securing sufficient skilled machine operators to operate our construction machinery, we train our workmen to operate such construction machinery through on the job training under skilled operators as part of our ongoing operations. However, there is no assurance that we will be able to retain these skilled machine operators upon completion of their training or replace them in a timely manner. The loss of these skilled machine operators without their timely replacement may have a material adverse effect on our business, operations and financial performance.

### 5.2.4 We are subject to economic, social, political and regulatory risks

Our operations are solely in the state of Sabah in Malaysia and are governed by the terms of the licences awarded by relevant local authorities and federal government agencies. As such, the business prospects and financial performance of our Group depend on the political, economic and regulatory conditions in Malaysia, in particular the Sabah State Government. Any adverse developments or uncertainties in political, economic or regulatory conditions could unfavourably affect our financial position and business prospects.

Any other adverse change in the economic conditions of Malaysia including any unfavourable change in inflation rates, interest rates and foreign exchange rates, expropriations, changes in political leadership, unfavourable change in government policies and regulations such as introduction of new regulations, and changes in accounting and tax policies may have an adverse impact on our business, financial performance and prospects.

## 5. RISK FACTORS (CONT'D)

### 5.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

#### 5.3.1 There is no prior market for our Shares

Prior to our Listing, there has been no public market or public trading for our Shares. The listing of our Shares on the Main Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the Main Market.

#### 5.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

- (i) our Sole Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein;
- (ii) we are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.00% of our total number of Shares for which listing is sought must be held by a minimum number of 1,000 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing; or
- (iii) the revocation of approvals from the relevant authorities prior to our Listing and/or admission to the Official List for whatever reason.

Where prior to the issuance and allotment or transfer of our IPO Shares:

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications for our IPO Shares shall be deemed to be withdrawn and cancelled and we or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted, investors will not receive any IPO Shares, and all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment or transfer of our IPO Shares:

- (aa) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (bb) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either:

## 5. RISK FACTORS (CONT'D)

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- a consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
- a solvency statement from our Directors.

### 5.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

### 5.3.4 Our Promoters will be able to exert significant influence over our Company

Our Promoters and persons connected to them will collectively hold approximately 73.53% of our enlarged share capital upon Listing. As a result, our Promoters will have significant influence on the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

### 5.3.5 Uncertainty of dividend payments

Our ability to declare dividends to our shareholders is dependent on, among others, our future financial performance, cash flow position, capital requirements and other obligations such as litigation cases involving our Group, and our ability to implement our business plans. Deterioration of these factors could have an effect on our business, which in turn will affect our ability to declare dividends to our shareholders. As such, there is no assurance that we will be able to pay dividends to our shareholders.

We propose to pay dividends out of cash generated by our operations after setting aside necessary funding for capital expenditures and working capital needs. Dividend payments are not guaranteed, and our Board may decide, at its discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

Further, our payment of dividends may adversely affect our ability to fund unexpected capital expenditures as well as our ability to make interest and principal repayments on any outstanding borrowings we may have at the time. As a result, we may be required to borrow additional money or raise capital by issuing equity securities, which may not be on favourable terms or available at all. Further, in the event we incur new borrowings subsequent to our Listing, we may be subject to covenants restricting our ability to pay dividends.



## 6. INFORMATION ON OUR GROUP

### 6.1 OUR COMPANY

Our Company was incorporated in Malaysia under the Act as a private limited company on 16 June 2022 under the name of Azam Jaya Sdn Bhd and was subsequently converted to a public limited company on 27 June 2024 where we assumed our present name, Azam Jaya Berhad.

We are an investment holding company. The principal activities of our Subsidiaries are set out in Section 6.4 of this Prospectus.

### 6.2 SHARE CAPITAL OF OUR COMPANY

As at [the LPD], our issued share capital is RM71,669,805 comprising 421,200,000 Shares. Details of the changes in our issued share capital since the date of our incorporation up to [the LPD] are as follows:

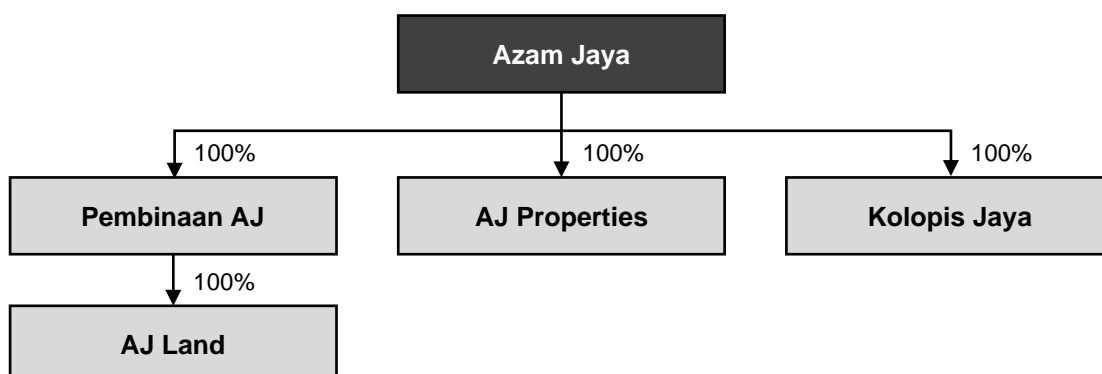
Date of allotment / subdivision	No. of Shares allotted	Consideration	Nature of transaction	Cumulative issued share capital	
				No. of Shares	RM
16 June 2022	2	Cash	Subscribers' shares	2	2
[●] 2024	71,669,803	Other than cash	Acquisitions	71,669,805	71,669,805
[●] 2024	421,200,000	N/A	Share Split	421,200,000	71,669,805

None of our Shares were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital.

Upon completion of our Listing, our issued share capital will increase to RM[●] comprising 500,000,000 Shares.

### 6.3 OUR GROUP STRUCTURE

As at [the LPD], our group structure is as follows:



Our Group was formed on [●] 2024 upon the completion of the Acquisitions. Subsequent to the Acquisitions, we completed the Share Split on [●] 2024. Further details on the Acquisitions and Share Split are set out in Section 6.3.1 and 6.3.2 below.

## 6. INFORMATION ON OUR GROUP (CONT'D)

### 6.3.1 Acquisitions

#### (i) Acquisition of Pembinaan AJ

On 5 June 2024, our Company entered into a conditional share sale agreement with Tan Sri Joseph and Datuk Jonathan for the acquisition of the entire issued share capital of Pembinaan AJ of RM5,000,000 comprising 5,000,000 ordinary shares in Pembinaan AJ for a purchase consideration of RM49,705,340. The purchase consideration was arrived at on a willing-buyer willing-seller basis and represents the audited consolidated net assets of Pembinaan AJ as at 31 December 2023.

The Acquisition of Pembinaan AJ was completed on [●] 2024 and the purchase consideration was wholly satisfied via the issuance of 49,705,340 new Shares at an issue price of RM1.00 per Share in the following manner:

Name	Shareholdings in Pembinaan AJ		Purchase consideration (RM)	No. of Azam Jaya Shares issued
	No. of ordinary shares	%		
Tan Sri Joseph	2,400,000	48.00	23,858,563	1,945,133
Datuk Jonathan	2,600,000	52.00	25,846,777	2,850,252
Datuk Jessica	-	-	-	(1)8,507,814
Johannes Lo	-	-	-	(1)4,896,104
Lo Vun Yee @ Josephine Lo	-	-	-	(1)2,836,504
Lo Vun Jiun	-	-	-	(1)2,836,504
Jacqueline Lo Ker Jack	-	-	-	(1)2,836,504
Lokah Fortune	-	-	-	(2)22,996,525
<b>Total</b>	<b>5,000,000</b>	<b>100.00</b>	<b>49,705,340</b>	<b>49,705,340</b>

#### Notes:

- (1) Tan Sri Joseph had nominated 5 of his children namely, Datuk Jessica, Johannes Lo, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun and Jacqueline Lo Ker Jack to receive this portion of the Azam Jaya Shares.
- (2) Datuk Jonathan had nominated Lokah Fortune to receive this portion of the Azam Jaya Shares on his behalf.

#### (ii) Acquisition of AJ Properties

On 5 June 2024, our Company entered into a conditional share sale agreement with Tan Sri Joseph, Datuk Jonathan, Johannes Lo and Lai Vui Kiong for the acquisition of the entire issued share capital of AJ Properties of RM800,000 comprising 800,000 ordinary shares in AJ Properties for a purchase consideration of RM12,039,034. The purchase consideration was arrived at on a willing-buyer willing-seller basis and represents the audited net assets of AJ Properties as at 31 December 2023.

**6. INFORMATION ON OUR GROUP (CONT'D)**

The Acquisition of AJ Properties was completed on [●] 2024 and the purchase consideration was wholly satisfied via the issuance of 12,039,034 new Shares at an issue price of RM1.00 per Share in the following manner:

Name	Shareholdings in AJ Properties		Purchase consideration (RM)	No. of Azam Jaya Shares issued
	No. of ordinary shares	%		
Tan Sri Joseph	112,000	14.00	1,685,465	1,685,465
Datuk Jonathan	408,000	51.00	6,139,907	-
Johannes Lo	240,000	30.00	3,611,710	3,611,710
Lai Vui Kiong	40,000	5.00	601,952	601,952
Lokah Fortune	-	-	-	<sup>(1)</sup> 6,139,907
<b>Total</b>	<b>800,000</b>	<b>100.00</b>	<b>12,039,034</b>	<b>12,039,034</b>

**Note:**

- (1) Datuk Jonathan had nominated Lokah Fortune to receive this portion of the Azam Jaya Shares on his behalf.

**(iii) Acquisition of Kolopis Jaya**

On 5 June 2024, our Company entered into a conditional share sale agreement with Tan Sri Joseph and Datuk Jonathan for the acquisition of the entire issued share capital of Kolopis Jaya of RM1,000,000 comprising 1,000,000 ordinary shares in Kolopis Jaya for a purchase consideration of RM9,925,429. The purchase consideration was arrived at on a willing-buyer willing-seller basis and represents the audited net assets of Kolopis Jaya as at 31 December 2023.

The Acquisition of Kolopis Jaya was completed on [●] 2024 and the purchase consideration was wholly satisfied via the issuance of 9,925,429 new Shares at an issue price of RM1.00 per Share in the following manner:

Name	Shareholdings in Kolopis Jaya		Purchase consideration (RM)	No. of Azam Jaya Shares issued
	No. of ordinary shares	%		
Tan Sri Joseph	490,000	49.00	4,863,460	2,026,956
Datuk Jonathan	510,000	51.00	5,061,969	-
Joanna Lo Vun Shii	-	-	-	<sup>(1)</sup> 2,836,504
Lokah Fortune	-	-	-	<sup>(2)</sup> 5,061,969
<b>Total</b>	<b>1,000,000</b>	<b>100.00</b>	<b>9,925,429</b>	<b>9,925,429</b>

**Notes:**

- (1) Tan Sri Joseph had nominated his child, Joanna Lo Vun Shii to receive this portion of the Azam Jaya Shares.
- (2) Datuk Jonathan had nominated Lokah Fortune to receive this portion of the Azam Jaya Shares on his behalf.

## 6. INFORMATION ON OUR GROUP (CONT'D)

After the completion of the Acquisitions, our issued share capital increased from RM2 comprising 2 Shares to RM71,669,805 comprising 71,669,805 Shares.

### 6.3.2 Share Split

Following the completion of the Acquisitions, our Company had subsequently on [●] 2024 undertook a subdivision of 71,669,805 existing Shares into 421,200,000 Shares to enhance the liquidity of our Shares at the time of our Listing.

## 6.4 OUR SUBSIDIARIES

As at the LPD, we do not have any associated companies. Details of our Subsidiaries are summarised below:

<u>Subsidiaries and company registration no.</u>	<u>Date of incorporation</u>	<u>Place of incorporation and principal place of business</u>	<u>Effective equity interest (%)</u>	<u>Principal activities</u>
Pembinaan AJ 198701006595 (165309-W)	14 October 1987	Malaysia	100	Investment holding, undertaking construction work and road work under contracts
AJ Properties 201201003573 (977098-D)	7 February 2012	Malaysia	100	Construction and civil engineering work
Kolopis Jaya 201901010130 (1319458-T)	25 March 2019	Malaysia	100	Construction of motorways, streets, roads, other vehicular and pedestrian ways
<u>Held by</u> <u>Pembinaan AJ</u>				
AJ Land 200101018343 (554100-K)	23 July 2001	Malaysia	100	Construction work under contracts

### 6.4.1 Pembinaan AJ

#### (i) History and business

Pembinaan AJ was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 14 October 1987 under the name of Zaramo Sdn Bhd and subsequently changed its name to Pembinaan Azam Jaya Sdn Bhd on 19 January 2009. Pembinaan AJ is principally involved in investment holding, undertaking construction work and road work under contracts.

#### (ii) Share capital

As at the LPD, the issued share capital of Pembinaan AJ is RM5,000,000 comprising of 5,000,000 ordinary shares. There have been no changes in the issued share capital of Pembinaan AJ during the Period under Review up to the LPD.

## 6. INFORMATION ON OUR GROUP (CONT'D)

### (iii) Shareholder

[As at the LPD], Pembinaan AJ is our wholly-owned subsidiary.

### (iv) Subsidiary and associate

As at the LPD, save for AJ Land which is a wholly-owned subsidiary of Pembinaan AJ, Pembinaan AJ does not have any other subsidiary or associated company.

#### 6.4.2 AJ Properties

### (i) History and business

AJ Properties was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 7 February 2012 under the name of Gerbang Kaya Sdn Bhd and subsequently changed its name to Azam Jaya Properties Sdn Bhd on 11 December 2014. AJ Properties is principally involved in construction and civil engineering work.

### (ii) Share capital

As at the LPD, the issued share capital of AJ Properties is RM800,000 comprising of 800,000 ordinary shares. There have been no changes in the issued share capital of AJ Properties during the Period under Review up to the LPD.

### (iii) Shareholder

[As at the LPD], AJ Properties is our wholly-owned subsidiary.

### (iv) Subsidiary and associate

As at the LPD, AJ Properties does not have any subsidiary or associated company.

#### 6.4.3 Kolopis Jaya

### (i) History and business

Kolopis Jaya was incorporated in Malaysia under the Act as a private limited company on 25 March 2019 under the name of Kolopis Jaya Sdn Bhd. Kolopis Jaya is principally involved in construction of motorways, streets, roads, other vehicular and pedestrian ways.

### (ii) Share capital

As at the LPD, the issued share capital of Kolopis Jaya is RM1,000,000 comprising of 1,000,000 ordinary shares. The changes in the issued share capital of Kolopis Jaya during the Period under Review up to the LPD are as follows:

<u>Date of allotment</u>	<u>No. of Shares allotted</u>	<u>Consideration</u>	<u>Cumulative issued share capital</u>	
			<u>No. of Shares</u>	<u>RM</u>
14 June 2021	750,000	Cash	1,000,000	1,000,000

**6. INFORMATION ON OUR GROUP (CONT'D)**

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**(iii) Shareholder**

[As at the LPD], Kolopis Jaya is our wholly-owned subsidiary.

**(iv) Subsidiary and associate**

As at the LPD, Kolopis Jaya does not have any subsidiary or associated company.

**6.4.4 AJ Land****(i) History and business**

AJ Land was incorporated in Malaysia under the Companies Act, 1965 as a private limited company on 23 July 2001 under the name of Zaramo Construction Sdn Bhd and subsequently changed its name to Azam Jaya Land Sdn Bhd on 23 September 2015. AJ Land is principally involved in construction work under contracts.

**(ii) Share capital**

As at the LPD, the issued share capital of AJ Land is RM30,500,000 comprising of 30,500,000 ordinary shares. There have been no changes in the issued share capital of AJ Land during the Period under Review up to the LPD.

**(iii) Shareholder**

As at the LPD, AJ Land is a wholly-owned subsidiary of Pembinaan AJ and [our indirect wholly-owned subsidiary].

**(iv) Subsidiary and associate**

As at the LPD, AJ Land does not have any subsidiary or associated company.

None of the ordinary shares of our Subsidiaries were issued at a discount, on special terms or based on instalment payment terms. As at the LPD, our subsidiaries do not have any outstanding warrants, options, convertible securities and uncalled capital.

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**6. INFORMATION ON OUR GROUP (CONT'D)****6.5 MATERIAL CAPITAL EXPENDITURES AND DIVESTITURES**

Save as disclosed below, we do not have any other material investments and divestitures for the Period under Review and up to the LPD:

<b>Capital expenditures and divestitures</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>1 January 2024 up to the LPD</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
<b><u>Investments cost</u></b>				
Right of use assets <sup>(1)</sup>	12,942	15,542	4,418	1,439
Plant and machinery	1,557	560	502	8
Site equipment	985	1,097	256	209
Motor vehicles	641	2,763	19	335
Furniture and fittings	733	365	52	54
Freehold land	-	465	-	-
Renovation	306	237	123	23
Office equipment	116	24	133	81
Site container	18	-	-	-
Signboard and billboard	1	-	-	-
Leasehold land	-	-	9,759	-
Building	-	-	1,000	-
<b>Total investments</b>	<b>17,299</b>	<b>21,053</b>	<b>16,262</b>	<b>2,149</b>
<b><u>Divestitures proceeds</u></b>				
Right of use assets <sup>(1)</sup>	147	366	1,021	-
Plant and machinery	-	250	-	-
Motor vehicles	-	1,676	6	-
<b>Total divestitures</b>	<b>147</b>	<b>2,292</b>	<b>1,027</b>	<b>-</b>

**Note:**

- (1) Mainly comprising leases of staff dwelling and office premises or acquisition of motor vehicles, plant and machinery as well as site equipment under lease arrangements and represents the present value of lease payments to be made over the lease term. For information, the same class of assets not obtained via leases are disclosed as separate line items in the table above.

The above material capital expenditures were made in Malaysia. They were mainly financed via a combination of internally-generated funds and bank borrowings.

Please refer to Section 7.19 of this Prospectus for further information on our material construction machinery and equipment as at the LPD.

**6.6 TAKE-OVER OFFERS**

Since our incorporation up to the LPD, there were no:

- (i) public take-over offers by third parties in respect of our Shares; and
- (ii) public take-over offers by our Company in respect of other companies' shares.

## 7. BUSINESS OVERVIEW

### 7.1 GROUP OVERVIEW, BACKGROUND AND HISTORY

Our Group is 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 road infrastructure, including roads, highways, bridges, flyovers and tunnels. Depending on the requirements of our clients, we are able to act as the main contractor or as a subcontractor, although for the Period under Review and up to the LPD, we have acted as the main contractor either solely or jointly with another construction company for all of our projects.

Our Group's history can be traced back to the acquisition of 50% of Pembinaan AJ (formerly known as Zaramo Sdn Bhd) by Tan Sri Joseph from his relatives in 1992. Tan Sri Joseph subsequently increased his stake to 75% in 1994.

In the early years since Tan Sri Joseph became a shareholder of Pembinaan AJ, our Group mainly undertook small-scale earthworks projects, and road construction and maintenance projects for JKR Sabah and property developers in Sabah.

Over the years as our Group continued to grow and acquire experience in various construction projects, our Group was awarded larger and more prominent road infrastructure construction projects within the state of Sabah. Some of these major road infrastructure construction projects awarded and completed by our Group as the main contractor throughout our history are as follows:

- (i) in 2001, our Group was awarded our first flyover project, to construct 3 flyovers at the Kolam interchange, the Wawasan interchange and the Karamuning interchange, as well as upgrading of roads at Jalan Nenas, Karamuning in Kota Kinabalu which was completed in 2008;
- (ii) in 2010, our Group was awarded a project to construct the longest pre-stressed vehicular bridge in Sabah connecting Binsuluk and Kuala Penyu across Sungai Sitompok, which was completed in 2012;
- (iii) in 2010, our Group was awarded a project to construct a dual carriageway tunnel connecting Kota Kinabalu Industrial Park with the Sepanggar Bay Container Port, which was the first vehicular tunnel constructed in Sabah and was completed in 2015; and
- (iv) in 2014, our Group was awarded the Jalan Lintas widening project which involved road widening and upgrading works on Jalan Lintas and the construction of 2 interchanges in Kota Kinabalu which was completed in 2017.

In addition to the above, our Group has also secured several work packages of the Pan Borneo Highway project, namely the Pan Borneo Highway (WP06) Project in 2019 and the Pan Borneo Highway (WP12) Project and Pan Borneo Highway (WP13) Project in 2024, all 3 of which are ongoing as at the LPD. As at the LPD, our Group is working on 8 ongoing construction projects, details of which are set out in Section 7.4.1 of this Prospectus.

Apart from road infrastructure projects, our Group has also been involved in building improvement works for government structures as the main contractor. For example, in 2009, our Group was awarded a project to carry out structural improvement works for Sekolah Menengah Kebangsaan Tenghilan, located in Tenghilan, Sabah with a contract value of RM14.63 million. Whilst it is not our primary focus, we have completed 6 building improvement projects for government schools in Sabah between 2010 to 2018 with a total contract value of RM102.46 million.



## 7. BUSINESS OVERVIEW (CONT'D)

In 2015, our Group ventured into industrial property development via the development of an industrial park known as “The Factory @ Inanam” which comprised 29 units of detached, semi-detached and terrace industrial buildings in Inanam, Kota Kinabalu which was undertaken by AJ Land on a parcel of approximately 9 acres of industrial land acquired by AJ Land in 2005. “The Factory @ Inanam” had a gross development value of RM89.38 million and was our Group’s sole property development project. The development project was completed in 2021 and as at the LPD, we have 2 units of detached factories and 1 unit of terrace factory that are unsold.

As at the LPD, AJ Land continues to own 12 parcels of subdivided industrial land measuring approximately 6.23 acres (inclusive of 4 contiguous parcels of land reserve measuring approximately 2.79 acres) located near “The Factory @ Inanam” project. For the avoidance of doubt, our Group does not have any plans for this remaining parcel of land as at the LPD and does not intend to undertake any property development projects in the future.

Our Group incorporated an additional 3 construction companies, namely AJ Land in 2001, AJ Properties in 2012 and Kolopis Jaya in 2019. As at the LPD, Pembinaan AJ, AJ Land, AJ Properties and Kolopis Jaya are registered with the CIDB as Grade 7 contractors in Malaysia.

Pembinaan AJ acts as the main entity which tenders for and secures new construction contracts for our Group whilst AJ Land, AJ Properties and Kolopis Jaya mainly act as the primary subcontractors to engage in the construction work as well as to manage the external subcontractors of our Group. During the Period under Review, our subcontractor costs for the FYE 2021, FYE 2022 and FYE 2023 were 66.06%, 46.37% and 43.75% of our total construction cost of sales, respectively. We engage external subcontractors to carry out specific construction works for our projects particularly those requiring specialised expertise which our Group does not possess such as piling work, and other construction works which we deemed more cost effective to be subcontracted to external subcontractors such as the laying of road kerbs and the fixing of guardrails which are labour intensive.

Over the Period under Review, our revenues were mainly generated from undertaking government road infrastructure projects in Sabah, and as at the LPD, our Group has an outstanding order book of approximately RM1.08 billion.

### 7.2 OUR COMPETITIVE STRENGTHS

#### (i) Established track record in the construction industry in Sabah

Since the start of our Group in 1992, we have established a track record spanning over 30 years in the construction industry in Sabah and have completed over 50 construction projects of varying sizes, complexity, scope and contract values.

As at the LPD, all 4 of our Subsidiaries, namely Pembinaan AJ, AJ Properties, AJ Land and Kolopis Jaya are registered as Grade 7 contractors with the CIDB, allowing us to undertake construction projects with unlimited tendering capacity in Malaysia.

In addition, Pembinaan AJ is registered as a holder of the SPKK as well as a Class A contractor with PUKONSA which allows us to participate in any government procurement in the field of construction with tendering capacity of RM5,000,001 and above in the State of Sabah. Pembinaan AJ has also been granted the Bumiputera Status Certification which allows Pembinaan AJ to participate in government projects requiring such certification.

## 7. BUSINESS OVERVIEW (CONT'D)

Our Group's established track record in the construction industry has enabled us to grow and position ourselves as a major construction company in Sabah, as well as serve as an important consideration when tendering for future projects. In view of amongst others, our capabilities and track record of undertaking major construction projects, we had successfully secured projects from both the Ministry of Works, Malaysia and JKR Sabah since the award of the Jalan Nenas upgrading projects in 2001 and has continued to secure construction contracts from JKR Sabah since then, despite changes in government at both the federal and state level. Most recently, our Group had secured a further 2 large-scale construction projects in the 1<sup>st</sup> quarter of 2024, namely the Pan Borneo Highway (WP12) Project and Pan Borneo Highway (WP13) Project.

Further details of the construction projects undertaken by our Group are set out in Section 7.4.1 of this Prospectus.

### (ii) Specialise in road infrastructure construction and is one of the major players in road infrastructure construction in Sabah

Our Group commenced our business in 1992 with the provision of road construction services and road upgrading works for JKR Sabah and property developers in Sabah. Since then, we have evolved from a small construction company into a major road infrastructure specialist capable of delivering comprehensive solutions, encompassing project planning, civil engineering, project management and the construction of road infrastructure in Sabah.

We have continued to leverage on our speciality and extensive experience in road infrastructure construction which has resulted in us being awarded numerous construction contracts by JKR Sabah as the main contractor for multiple major road infrastructure development projects in Sabah.

According to the IMR Report as included in Section 8 of this Prospectus, we are a major infrastructure contractor in Sabah by market share, with a market share of 5.94% based on the value of civil engineering works (infrastructure construction) done in Sabah in 2023 of approximately RM4.62 billion and our construction revenue of approximately RM274.77 million for the FYE 2023. As at the LPD, we have 8 ongoing construction projects with an unbilled contract value (order book) of approximately RM1.08 billion.

A summary of the major road infrastructure construction projects (contract value above RM50 million) performed by our Group as well as their contract values are as follows:

No.	Project	Client	Year of award	Total contract value (RM' million)
1.	Construction of 3 flyovers at the Kolam interchange, the Wawasan interchange and the Karamuning interchange, as well as upgrading of roads at Jalan Nenas, Karamuning in Kota Kinabalu	JKR Sabah	2001	156.79
2.	Construction of a vehicular bridge connecting Binsuluk and Kuala Penyu across Sungai Sitompok	JKR Sabah	2010	58.60
3.	Construction of a vehicular tunnel connecting Kota Kinabalu Industrial Park with the Sepanggar Bay Container Port	JKR Sabah	2010	81.55

**7. BUSINESS OVERVIEW (CONT'D)**

No.	Project	Client	Year of award	Total contract value (RM' million)
4.	Road widening works on Jalan Lintas from 2 lanes to 3 lanes and the construction of 2 interchanges in Kota Kinabalu	JKR Sabah	2014	294.60
5.	Jalan Lintas Upgrading Project <sup>(1)</sup>	JKR Sabah	2016	313.32
6.	Jalan UMS Upgrading Project <sup>(1)</sup>	JKR Sabah	2017	356.89
7.	Pan Borneo Highway (WP06) Project <sup>(1)</sup>	Ministry of Works, Malaysia	2019	832.09
8.	Pulau Sebatik Road Project <sup>(1)</sup>	JKR Sabah	2022	56.19
9.	Kota Belud Road Project <sup>(1)</sup>	JKR Sabah <sup>(2)</sup>	2022	<sup>(3)</sup> 60.18
10.	Pan Borneo Highway (WP12) Project <sup>(1)</sup>	JKR Sabah	2024	316.50
11.	Pan Borneo Highway (WP13) Project <sup>(1)</sup>	JKR Sabah <sup>(2)</sup>	2024	<sup>(3)</sup> 366.13

**Notes:**

- (1) These projects are ongoing as at the LPD.  
(2) These projects were awarded to our construction partner and we were brought on via joint arrangements to jointly execute the projects.  
(3) The total contract value represents our share of the contract sum.

Please refer to Section 7.4.1 of this Prospectus for further details of the abovementioned projects.

**(iii) Commitment to deliver innovative and quality construction projects in a timely manner**

We are committed to deliver innovative and quality construction projects in a timely manner. Our Group has pioneered several construction techniques which were the first of its kind in Sabah as follows:

- (a) Pembinaan AJ's first project - the construction of retaining walls around the radar station in Kepayan Ridge, Kota Kinabalu in 1994 which was the first construction project in Sabah to make use of bored piling technology;
- (b) the upgrading works done on Jalan Nenas in Kota Kinabalu which involved the construction of 3 flyovers which was the first bridge or flyover construction project in Sabah to use the balanced cantilever method of construction;
- (c) the construction of a bridge across Sungai Sitompok, creating a direct road connection between Binsuluk and Kuala Penyu which is the longest pre-stressed vehicular bridge in Sabah as at the LPD; and
- (d) the construction of a vehicular tunnel in Sepanggar, Kota Kinabalu which was the first and only tunnel to be engineered and constructed in Sabah.

## 7. BUSINESS OVERVIEW (CONT'D)

We are also adopters of new and innovative construction technologies, such as the use of autonomous vehicle control modules for our Group's existing vehicles and LiDAR-equipped drones to boost productivity and operational efficiency as well as optimise cost and resources. Please refer to Section 7.10 of this Prospectus for further information on the technologies used by our Group.

We also strive to provide quality work as well as timely delivery of our projects. For the Period under Review, our Group has not incurred any LAD for all of our construction projects.

Furthermore, we have established a quality management system that underwent assessment and was accredited with an ISO 9001:2015 certification by Intertek Certification Limited, an accredited body of the United Kingdom Accreditation System (UKAS) under schedule of accreditation no. 014, under the scope "provision of civil and structural engineering services". Maintaining this ISO certification serves as evidence to our continuous commitment to provide quality construction services.

**(iv) We are led by experienced key management with expertise and technical knowledge in the construction industry**

Our Group is managed and operated by an experienced key management team with the expertise and technical knowledge in the construction industry, specifically in road infrastructure construction.

Our Promoter and Non-Independent Executive Chairman, Tan Sri Joseph, has over 45 years of experience in the construction industry and has played a vital role in charting the strategic direction of our Group. Throughout the years, Tan Sri Joseph has also been guiding his children; Datuk Jonathan, Datuk Jessica and Johannes Lo in the management of various aspects of our business. Our Group is currently led by our Non-Independent Managing Director, Datuk Jonathan, who plays a key role in securing new construction projects, managing our business operations and overseeing the implementation of our Group's business strategy and our Non-Independent Executive Director, Datuk Jessica who is responsible for overseeing and managing our Group's overall human resource, financial functions and accounting matters.

They are in turn supported by our Key Senior Management including:

- (i) our Head of Projects, Datuk Ir. Wong Chung Teck @ George Wong, who is responsible for all aspects in the project management activities for the company and has 50 years of experience in the construction industry; and
- (ii) our Head of Procurement, Chiang Chung Wing @ Edwin Chiang, who is responsible for selecting and overseeing our suppliers of construction materials and has over 20 years of experience in the construction industry.

We believe that a capable and dedicated key management team is a key factor to the successful operations of our Group. Please refer to Section 9 for more details on our Directors and Key Senior Management.

**(v) Strong relationship with subcontractors and materials suppliers**

Over the years, we have established a good working and long-term business relationships with our subcontractors and materials suppliers. For the Period under Review, we have engaged over 80 subcontractors for various construction services including earthworks, piling, road surfacing, installation of road finishings (such as lane markings, building of lane dividers, installation of lights and signboards) and relocation of utilities services.

## 7. BUSINESS OVERVIEW (CONT'D)

The long-established relationship reflects the mutual trust we have developed and the confidence we have in their construction capabilities and/or materials supply. Therefore, we are able to leverage on their reliable services for our construction projects which is vital for meeting project deadlines. For the Period under Review and up to the LPD, we have not encountered any material disruption from our subcontractors and materials suppliers for their construction services and/or supply of construction materials, respectively.

### 7.3 BUSINESS STRATEGIES AND FUTURE PLANS

#### (i) To maintain / enhance our position as one of the major road infrastructure players in Sabah

Our core business strategy revolves around maintaining and elevating our position as a preferred road infrastructure contractor in Sabah. We intend to continue focusing on and enhancing our core strengths in road infrastructure construction, capitalising on our Group's track record of over 30 years in this industry. To continue to facilitate this strategy, we plan to enhance our construction capabilities and increase our operational efficiency by reducing our reliance on subcontractors.

For the Period under Review, our subcontractor costs have reduced from 66.06% to 43.75% of our total construction cost of sales for the FYE 2021 and 2023, respectively. Moving forward, we intend to continue reducing this percentage by expanding our existing fleet of construction machinery and equipment. The purchase of new construction machinery and equipment will enable our Group to gain more control over project timelines and quality as our subcontractors might undertake multiple construction projects and not prioritise our Group's projects. With a larger fleet of construction machinery and equipment, it will also minimise cost associated with outsourcing and allow for a more efficient allocation of resources which we believe offers a competitive edge in the market and better position us to take on a wider range of road infrastructure projects.

Based on our order book as at the LPD, our Group intends to spend approximately RM30.00 million from the LPD until the end-2025 to acquire construction machinery and equipment such as excavators, dump trucks, motor graders, bulldozers and staff vehicles such as light trucks and SUVs and have allocated an amount of RM[●] million from the proceeds of the Public Issue for that purpose. We intend to fund the remaining amount required via internally-generated funds and bank borrowings to be obtained.

Furthermore, we will also provide on-site training to our workforce to ensure they can operate these machinery and equipment efficiently, thereby further improving productivity.

We also intend to spend approximately RM2.50 million from the LPD until end-2025 on technological upgrades which will minimise mistakes and further improve operational efficiency. Our Group plans to purchase and install autonomous vehicle control modules on 2 motor graders, 2 bulldozers and 2 excavators (as at the LPD, 3 of our motor graders are equipped with such technological upgrades). We also plan to purchase a LiDAR-equipped drone and 4 sets of handheld augmented reality surveying equipment. We have allocated an amount of RM[●] million from the proceeds of the Public Issue for technological upgrades and intend to fund the remaining amount required via internally-generated funds. Please refer to Section 7.10 of this Prospectus for further information on the technologies used by our Group.

## 7. BUSINESS OVERVIEW (CONT'D)

### (ii) To maximise equipment utilisation by continuously tendering for more construction projects

For the Period under Review, our Group generated a majority of our construction revenue from large-scale road infrastructure projects in Sabah (contract value above RM50 million). Large-scale road infrastructure projects in Sabah are generally offered by the Government via the Ministry of Works, Malaysia or Sabah State government agencies (i.e., JKR Sabah). Moving forward, we intend to continue our marketing efforts by leveraging on our track record and our construction capabilities to secure more road infrastructure projects of a similar scale including the future phases of the Pan Borneo Highway Project (i.e., Phases 1B and 2) as well as other rural road projects. As such, our Group's financial performance is dependent on continued Government infrastructure spending in Sabah.

As at the LPD, the projects with the largest unbilled contract values are the ongoing construction of the Pan Borneo Highway (WP06) Project, Pan Borneo Highway (WP12) Project and Pan Borneo Highway (WP13) Project with a combined unbilled contract value of RM943.05 million as at the LPD. Please refer to Section 12.11 of this Prospectus for more details on our Group's order book.

Our Group is dependent on continued Government infrastructure spending in Sabah particularly on new infrastructure works and benefits when the Government decides to undertake large-scale road infrastructure projects in Sabah as our Group is one of the major players in the construction of road infrastructure. Should we be unable to secure a sufficient amount of Government road construction contracts due to amongst others, increased competition for such large scale projects or lower Government investment in road infrastructure in Sabah in the future to fully utilise our financial capabilities, construction machineries and equipment, and direct labour, we will tender for smaller road construction projects offered by non-governmental project owners as well as non-road infrastructure construction projects for which we are licensed and capable of performing to maximise our equipment utilisation.

For information, notwithstanding that all of the major construction projects undertaken by our Group were in the field of road infrastructure construction, our Group had, in the past, been involved in building improvement works for government structures particularly 6 building improvement projects for government schools in Sabah which were undertaken between 2010 and 2018. Our ability to undertake non-road infrastructure projects allows us to tender for a wider range of construction projects should there be a decrease in Government spending on road infrastructure in Sabah or if we are unable to secure more road infrastructure contracts in the future. We had in the past completed several non-road infrastructure projects and will ensure that we maintain our reputation for delivering quality construction projects.

## 7.4 PRINCIPAL ACTIVITIES, PRODUCTS AND SERVICES

Our Group is principally involved in the provision of construction services where we are mainly involved in the construction of road infrastructure in the State of Sabah. During the Period under Review, we had also undertaken a one-off development of an industrial park known as "The Factory @ Inanam", located in Inanam, Sabah.

## **7. BUSINESS OVERVIEW (CONT'D)**

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### **7.4.1 Provision of construction services**

We are a major provider of road infrastructure construction services in the state of Sabah, where we have participated in mainly road, highway, bridge, flyover and tunnel construction projects for over 30 years. Our clients include agencies under the Federal and Sabah state governments (i.e., Ministry of Works, Malaysia and JKR Sabah) as well as property developers and other main contractors. Depending on the requirements of our clients, we are able to act as main contractors or as subcontractors, although for the Period under Review and up to the LPD, we have acted as the main contractor either solely or jointly with another construction company for all of our projects.

All 4 of our Subsidiaries, namely Pembinaan AJ, AJ Properties, AJ Land and Kolopis Jaya are registered as Grade 7 contractors with CIDB, allowing them to undertake construction projects with unlimited tender capacity. In addition, Pembinaan AJ is registered as a holder of the SPKK as well as a Class A contractor with PUKONSA, which allows us to participate in any government procurement in the field of construction with tendering capacity of RM5,000,001 and above in the State of Sabah. Pembinaan AJ has also been granted Bumiputera status certification from the Ministry of Entrepreneur and Cooperatives Development of Malaysia which allows Pembinaan AJ to participate in government projects which require such certification. Please refer to Annexure B of this Prospectus for further information on our licenses and certifications.

Our construction contracts are either structured as build-only projects or design and build projects.

#### **(i) Build-only projects**

For build-only projects, our Group is responsible for the overall execution of the construction project in accordance with the design and technical specifications provided by our clients, including project planning and management, as well as implementation of all stages of the project, which includes the appointment of subcontractors, procurement of construction materials, and overall monitoring and management of all works required for the timely completion of the projects. We also undertake certain portions of works which are not subcontracted out through our fleet of construction machinery and equipment as well as our internal construction workers.

#### **(ii) Design and build projects**

For design and build projects, in addition to the overall project management we undertake for build-only projects, our architects, quantity surveyors, and engineers work with external architects and relevant professionals such as, amongst others, land and quantity surveyors, geotechnical consultants and engineers to prepare a project design which matches the needs of the project owners.

Our Project team will also collaborate with the client to understand its road infrastructure application and requirements, and thereafter prepare the structural and architectural designs of the road infrastructure, and the construction plan for submission.

## 7. BUSINESS OVERVIEW

### Past completed major construction projects

<u>No.</u>	<u>Project / Client</u>	<u>Description</u>	<u>Commencement / Completion date</u>	<u>Total contract value</u> (RM' million)	<u>Expiry of DLP</u>	<u>Status of retention sum as at the LPD</u>
1.	Jalan Nenas upgrading project / JKR Sabah	The construction of 3 flyovers at the Kolam interchange, the Wawasan interchange and the Karamunsing interchange, as well as upgrading of roads at Jalan Nenas, Karamunsing in Kota Kinabalu	September 2001 / April 2008	156.79	30.04.2009	Fully released on 04.06.2009
2.	Sitompok Bridge project / JKR Sabah	The construction of a vehicular bridge connecting Binsuluk and Kuala Penyu across Sungai Sitompok	March 2010 / February 2012	58.60	25.02.2013	No retention sum. Performance bond was released on 25.02.2013
3.	Sepanggar Tunnel project / JKR Sabah	The construction of a dual carriageway tunnel between Kota Kinabalu Industrial Park and the Sapangar Bay Container Port	October 2010 / June 2015	81.55	13.06.2016	Fully released on 13.06.2016
4.	Jalan Lintas widening project / JKR Sabah	Road widening works on Jalan Lintas from 2 lanes to 3 lanes and the construction of 2 interchanges in Kota Kinabalu	January 2015 / December 2017	294.60	30.12.2018	Fully released on 19.12.2023

For the avoidance of doubt, our Group was the sole main contractor for all of the abovementioned major construction projects.



## 7. BUSINESS OVERVIEW (CONT'D)

Ongoing construction projects

No.	Project / Client	Description	Commencement / Expected completion date <sup>(1)</sup>	Total contract value <sup>(2)</sup>  (RM' million)	Remaining revenue to be recognised as at the LPD  (RM' million)	% of completion as at the LPD  (%)
1.	Jalan Lintas Upgrading Project / JKR Sabah <sup>(3)</sup>	Road upgrade in Jalan Lintas, Kota Kinabalu, including the construction of 3 flyovers	January 2017 / February 2025 <sup>(5)</sup>	293.00	2.49	99.15
2.	Jalan UMS Upgrading Project / JKR Sabah <sup>(3)</sup>	Road upgrade in Jalan UMS and Jalan Sepanggar, Kota Kinabalu, including the construction of 4 flyovers	November 2017 / September 2024 <sup>(6)</sup>	356.89	24.66	93.09
3.	Pan Borneo Highway (WP06) Project / Ministry of Works, Malaysia <sup>(3)</sup>	Construction of a 21.74 km highway from Putatan to Inanam, Kota Kinabalu	December 2019 / [November 2024] <sup>(7)</sup>	832.09	260.42	67.77
4.	Pulau Sebatik Road Project / JKR Sabah <sup>(3)</sup>	Design and construction of a 7.6 km road from Kampung Sungai Pukul to Kampung Sungai Bergosong, Sebatik, Tawau	August 2022 / January 2027 <sup>(8)</sup>	56.19	44.73	20.40
5.	Kota Belud Road Project / JKR Sabah <sup>(4)</sup>	Road upgrade works on Jalan Tengkurus Lahanas Siba to Lahanas Sokib, Kota Belud	November 2022 / November 2025	<sup>(4)</sup> 60.18	44.39	26.24
6.	DBKK Sewerage Project / JKR Sabah <sup>(3)</sup>	Relocation of a sewerage pipe on Jalan Lintas, Kota Kinabalu	January 2024 / February 2025 <sup>(9)</sup>	20.32	16.33	19.60

## 7. BUSINESS OVERVIEW (CONT'D)

No.	Project / Client	Description	Commencement / Expected completion date <sup>(1)</sup>	Total contract value <sup>(2)</sup>  (RM' million)	Remaining revenue to be recognised as at the LPD  (RM' million)	% of completion as at the LPD  (%)
7.	Pan Borneo Highway (WP12) Project / JKR Sabah <sup>(3)</sup>	Construction of a 14.8 km dual carriage highway from Sarang to Temuno, Sabah and comprises 4 bridges	April 2024 / March 2027	316.50	316.50	-
8.	Pan Borneo Highway (WP13) Project / JKR Sabah <sup>(4)</sup>	Construction of a 21.2 km dual carriage highway from Temuno to Bingolon, Sabah and comprises 3 bridges	April 2024 / September 2027	<sup>(4)</sup> 366.13	366.13	-

**Notes:**

- (1) Based on the end of the contract period as set out in the letters of award or the latest EOT granted, if any.
- (2) Total contract value is inclusive of any variation order issued in respect of the contract.
- (3) These projects are undertaken by our Group as the sole main contractor.
- (4) 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.
- (5) The Jalan Lintas Upgrading Project was granted 7 separate EOTs for amongst others, changes in project design by the client, delay in handover of the site by the client, the imposition of MCO due to COVID-19, the performance of environmental impact assessment ("EIA") and delays in the relocation of utilities.
- (6) The Jalan UMS Upgrading Project was granted 5 separate EOTs for amongst others, the performance of EIA, additional works requested by the client, the imposition of MCO due to COVID-19 and delays in the relocation of utilities.
- (7) The Pan Borneo Highway (WP06) Project was granted 4 separate EOTs for amongst others, the imposition of MCO due to COVID-19, delay in land acquisition, delays in the relocation of utilities and delay due to the Government's COVID-19 relief initiative which allows for extension in light of disruptions caused by the imposition of MCO caused by COVID-19.

## 7. BUSINESS OVERVIEW (CONT'D)

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(8) The Pulau Sebatik Project was granted 1 EOT for the delay in handover of the site by the client.

(9) The DBKK Sewerage Project was granted 1 EOT for the delay in the approval for the project design.

As at the LPD, we have 8 ongoing construction projects with an unbilled contract value (order book) of approximately RM1.08 billion.

### 7.4.2 Property development

In 2015, we ventured into industrial property development via the development of an industrial park known as “The Factory @ Inanam” on a parcel of approximately 9 acres industrial land in Inanam, Sabah. The development of “The Factory @ Inanam” was carried out by AJ Land and was our Group’s sole industrial property development project.

“The Factory @ Inanam” has a total of 29 units of industrial buildings, comprising 4 units of detached factories, 14 units of semi-detached factories, and 11 units of terrace factories. All 29 units of the industrial buildings are ready-built industrial properties, where the properties are completed with office spaces, manufacturing and/or storage and warehousing areas, which are generally in ready-to-move in condition for the customers. “The Factory @ Inanam” had a gross development value of RM89.38 million. The development project was completed in 2021 and as at the LPD, we have 2 unit of detached factories and 1 unit of terrace factory which are unsold.

As at the LPD, AJ Land still owns approximately 3.44 acres (excluding land reserve of 2.79 acres) industrial land located in close proximity to “The Factory @ Inanam” and may monetise this asset in the future. Such initiatives may include the development of a complimentary industrial park in a similar vein as “The Factory @ Inanam” or the outright sale of the land. For the avoidance of doubt, our Group does not have any plans for this remaining parcel of land as at the LPD and does not intend to undertake any industrial property development projects in the foreseeable future.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.5 PRINCIPAL MARKET

During the Period under Review, our Group generated our revenues from the provision of construction services and from the sale of factory units from the development of an industrial park namely "The Factory @ Inanam". During the Period under Review, all of our Group's revenue was generated from business activities in Sabah, Malaysia.

Our revenues by business segments for the Period under Review is as follows:

	<b>Construction</b>		<b>Property development</b>		<b>Total</b>	
	<b>(RM'000)</b>	<b>(%)</b>	<b>(RM'000)</b>	<b>(%)</b>	<b>(RM'000)</b>	<b>(%)</b>
FYE 2021	212,040	91.61	19,417	8.39	231,457	100.00
FYE 2022	289,377	97.49	7,461	2.51	296,838	100.00
FYE 2023	274,766	97.86	6,000	2.14	280,766	100.00

Please refer to Section 12.3.3(i) of this Prospectus for the management discussion and analysis on our revenues by business segments.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.6 BUSINESS LOCATIONS

As at the LPD, our operations are located as the following locations:

No.	Postal address	Description / Existing use	Built-up area	Ownership
1.	No. 7, 8 and 9, Ground floor, 1 <sup>st</sup> floor and 2 <sup>nd</sup> floor Kolam Centre Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah	<b>Description:</b> 3 stories of 3 shop offices  <b>Existing use:</b> Corporate office of our Group	10,800 sq ft	No. 7 & No. 9 rented by AJ Properties and AJ Land from Jayawanto Sdn Bhd, a related party  No. 8 rented by AJ Properties and AJ Land from third party landlords
2.	No. 6, 2 <sup>nd</sup> floor Kolam Centre Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah	<b>Description:</b> 1 storey of shop office  <b>Existing use:</b> Corporate office of our Group	1,200 sq ft	Rented by AJ Properties from a third party landlord
3.	No. 10, 2 <sup>nd</sup> floor Kolam Centre Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah	<b>Description:</b> 1 storey of shop office  <b>Existing use:</b> Corporate office of our Group	1,200 sq ft	Rented by AJ Properties from a third party landlord

We also operate, workshops and site yards for the storing of raw materials, fabrication of precast concrete beams and storage of equipment at various locations that are at close proximity to our construction sites.

Please also refer to Annexure A of this Prospectus for further information on our owned and rented material properties

## **7. BUSINESS OVERVIEW**

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### **7.7 BUSINESS DEVELOPMENT AND MARKETING ACTIVITIES**

Our Group is primarily involved in the provision of construction services in Sabah, Malaysia. Whilst Pembinaan AJ is licensed to undertake various types of building, civil engineering and mechanical and electrical engineering projects, we have primarily focused on securing and executing road infrastructure construction projects.

The construction of large-scale road infrastructure projects is a specialised area of construction, with project owners comprising mainly agencies under the Federal and Sabah state governments, government-linked companies, highway concessionaires, infrastructure project companies and property developers.

Our business development efforts primarily focused on fostering close business relationships with existing and prospective clients. Additionally, we maintain business relationships with other general and civil construction companies with whom we may apply for and execute projects via joint arrangements or who may appoint us as their subcontractor.

Our construction projects are mainly awarded via 2 methods as follows:

#### **(i) Project tenders**

We participate in various tenders for our road infrastructure projects, such as open tenders and closed tenders.

In open tender, clients will advertise the proposed project publicly, which all interested contractors are able to submit their bids for the project. Information on open tenders is available through notices published in major newspapers, as well as websites of relevant government agencies. Our management monitors tender notices as well as government announcements to identify suitable projects for our Group to undertake. Potential project tenders may also be informed to our management through their industry contacts. In the past, we have participated in many open tenders such as the Sepanggar tunnel project and Sitompok bridge project.

In closed tender, client will invite shortlisted contractors to submit their bids for its tender. Only contractors possess the relevant experience, competent, capability, and resources will be invited to participate in such tender. Closed tenders are typically initiated through invitation by clients or project consultants to a shortlist of pre-approved contractors. In the past, we have received invitation to tenders for several road infrastructure projects, such as various packages of Pan Borneo Highway Phase 1A and the Jalan UMS Upgrading Project.

Project tenders are typically used in the awarding of build-only projects. For such projects, the project owner appoints its own architect or designer to prepare the project design plans which is then followed by a separate construction contract awarding process which could either be via project tender or direct negotiations.

#### **(ii) Negotiated contracts**

Under negotiated contracts method, our Group will be approached by a potential client who informs us of their intention to appoint our Group, and if our Group decides to participate in the project, we would be required to prepare a project proposal and enter into negotiations with the project owner to finalise amongst others, the design and cost of the project.

Negotiated contracts are typically used in the awarding of design and build projects. Such projects eliminate the need for separate contracts with a designer and a contractor with the project owner as the main contractor would be responsible for both the design and construction aspects of the project.

## 7. BUSINESS OVERVIEW (CONT'D)

Our business development activities are greatly enhanced by our track record and reputation in the Sabah construction industry, as demonstrated by the numerous large-scale road infrastructure projects undertaken by our Group in the past.

For information, certain government road infrastructure construction projects have a selection criterion which a prospective contractor must fulfil in order to qualify for the tender process. This includes amongst others, the need to display sufficient financial resources to ensure the smooth implementation of the project. The government's evaluation of a contractor's financial resources would also take into consideration the cashflow requirements of the construction projects already secured.

Further, for certain road infrastructure development and construction projects undertaken by us generally necessitate either:

- (i) a retention sum to be held by the awarding party as an assurance or security against any defects or issues with our construction work which we are required to rectify during the DLP; or
- (ii) a performance bond to be provided in the form of a bank guarantee which is funded through our banking facilities, to the awarding party as an assurance or security for us to complete and satisfactorily discharge our roles and obligation as stated under the project contract.

The retention sum and/or performance bond usually amounts to 5% of the total contract sum and will be valid until the end of the DLP which ranges from 12 months to 24 months after the issuance of the CPC of the completed project or CPO for the ongoing project. As a result, a portion of our working capital will be tied up throughout the project implementation stage, restricting us from utilising part of our working capital or cash reserve for the duration of the project.

## 7.8 PROCESS FLOW OF OUR CONSTRUCTION PROJECTS

### 7.8.1 Contract procurement

As disclosed in Section 7.4.1 of this Prospectus, the road infrastructure construction contracts may be structured as "build-only" contracts or "design and build" contracts and these contracts may be awarded via project tenders or negotiated contracts. Depending on the needs of the party awarding the contract, we may act as either a main contractor or a subcontractor for the construction project.

In all cases, once a potential project being made known to us, we engage directly with the relevant project owners to understand further on the project's specifications and requirements. Certain projects, particularly large-scale construction projects awarded by government agencies, may require the potential main contractor to meet certain requirements to qualify for consideration for the project. Generally, our clients may impose the following prequalification requirements on contractors wishing to be appointed for a particular project:

- (i) having the necessary license, permits, and certifications such as being registered as Grade 7 contractors with the CIDB, holding the SPKK, registered as a Class A contractor with PUKONSA and/or having Bumiputera status from the Ministry of Entrepreneur and Cooperatives Development of Malaysia;
- (ii) having a track record in the relevant fields of construction with a project value above a certain threshold;

## 7. BUSINESS OVERVIEW (CONT'D)

- (iii) having a requisite number of personnel who are qualified to undertake the project; and
- (iv) having a certain amount of financial resources on hand as may be required to ensure the smooth implementation of the project. This evaluation of financial resources would also take into consideration the cashflow requirements of other government construction projects already secured.

If we meet the prequalification criteria set by the client (if any) the potential client will then provide a project framework prior to the award of the contract outlining all the requirements of the project, including the phases of completion, total budget allocation and the specified timeframe for completion. Based on the project framework, our Project team will assess the project's complexity, resource requirements, working capital requirements and achievability of the project schedule to ensure we have the capacity and capability to carry out and complete the potential project. This includes identifying the sub-portions of work to be performed either in-house or via subcontractors. For portions of work our Group does not perform such as piling works, our Project team will obtain quotations from our panel of approved subcontractors and such quotes will be included in the budgeted costs.

If the project is considered feasible and our management decides to undertake the project, our Project team will prepare and submit either a tender application (in the case of a tender process) or a project proposal (in the case of negotiated contracts) for the potential client's consideration. In the event we are awarded a construction project, we will receive a LOA from the client. If the contract sum is lower than our tender price, we will perform a financial feasibility to assess the financial viability of the project prior to accepting the LOA from the client.

### 7.8.2 Design (for design and build projects only)

We provide complete structural, architectural and engineering services, which are carried out by our internal and/or external architectural and engineering team. The design of the construction plan starts with the drawings prepared by external architects and engineers appointed by our Group. Such design plans are then checked by our in-house team of architects and engineers to ensure that the design meets the technical specifications as set by the project owner as well as is based on construction methods and techniques which are achievable by our project team.

For information, the Pulau Sebatik Road Project and the Kota Belud Road Projects are both "design and build" projects. As at the LPD, our Group has 2 architects and 32 engineers who work closely with the external consultants appointed by our Group. The internal and external architectural and engineering team will conduct multiple consultation sessions with our clients to understand their road infrastructure requirement, and thereafter we will then design and prepare the construction plan for submission.

### 7.8.3 Project planning and site preparation

Upon acceptance of a LOA, we will assign a project management team comprising of our in-house project and procurement employees as well as external consultants such as civil and structural consultants, quantity surveyors, mechanical and electrical consultants, where required. This team will manage the project planning process which involves the following processes:

- determining the project timeline and scheduling;
- performing costing analysis, including the procurement of materials, sourcing of labour, hiring of construction machinery and equipment as well as the appointment of subcontractors;



## 7. BUSINESS OVERVIEW (CONT'D)

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- obtaining the necessary financing from financial institutions for the construction projects including obtaining project financing to fund the general working capital requirements of the project and performance bonds, if required by the client; and
- site preparation, including conducting traffic impact assessments (for projects in built-up areas), underground utility mapping as well as securing the necessary licenses and permits to commence construction works.

Our Procurement team is responsible for sourcing the required construction materials, whilst our Project team is responsible for hiring the required labour, renting construction machinery and equipment as well as appointing subcontractors. The selection of suppliers of construction materials and subcontractors will be based on criteria such as timeliness of delivery, reputation, reliability, quality and pricing. We typically negotiate and place orders for the purchase construction materials and appoint subcontractors as the construction project progresses.

Before we commence construction work, we will list out the type of construction materials and their quantities in the BQ. The BQ is prepared internally by our project team, engineering team and procurement department. Once the BQ is prepared, it will be submitted to our clients for review and approval. We do not enter into long term contracts with our suppliers for the supply of our construction materials. We will make order of our construction materials once the orders and quantities have been approved and agreed by both our Group and our client. If there is any shortfall of construction materials during our construction period, we will update the BQ and make arrangements to reorder from the respective suppliers.

As at the LPD, our Group has a total of 338 construction workers (skilled and unskilled) under our payroll to carry out their duties. However, we do appoint external subcontractors to carry out some of our construction activities, when it is more cost effective to do so. As at the LPD, we have 80 subcontractors and 580 suppliers on our panel of approved subcontractors and suppliers. For the Period under Review, certain of our subcontractors were our related parties however, as at the LPD, none of our subcontractors or suppliers are related parties of our Group. Please refer to Section 10.1 of this Prospectus for further information on the related party transactions of our Group during the Period under Review up to the LPD.

For the appointment of subcontractors, our Project team will request from our approved subcontractors, or in the event there are no suitable approved subcontractor identified for the required work scope, any other new subcontractor which meets our criteria for selection and appointment (i.e. based on their reputation, reliability, quality and pricing), their quotations and BQ containing their fees as well as work scope and list of construction materials. Once the subcontractor is selected, we will award the job to them.

In some circumstances, including an unexpected shortage in their available manpower or prolonged unavailability of their construction machinery and/or equipment due to breakdowns, the subcontractor's services may be terminated either via termination of their subcontract agreement by our Group or by them resigning from the project. In such circumstances, the works performed is handed over to our Group and we may either appoint a replacement subcontractor or undertake to finish the remaining works to be performed via our in-house project team. Depending on the circumstances of their termination, these subcontractors may also be removed from our panel of pre-approved subcontractors.

## 7. BUSINESS OVERVIEW (CONT'D)

During the Period under Review and up to the LPD, the termination of any of our subcontractors did not have any material impact to the business operations of our Group as either a replacement subcontractor was able to be appointed within an acceptable timeframe and at acceptable terms to us, or we were able to perform the works ourselves.

In certain instances, we provide advances to our subcontractors who request for it in order to facilitate a smooth delivery of their work. These advances are then utilised by our subcontractors mainly to purchase construction materials, hire more labour or lease more construction machinery and equipment or to perform emergency works due to unforeseen circumstances for our projects.

The value of any advances provided is determined based on various factors including the proposed use of the advances (as mentioned above), the amount to be retained by our Group as a retention sum (which typically ranges from 5% to 10% of the progress billings) which will eventually be offset against any future payment to the subcontractors for works performed and the past relationship of the subcontractor with our Group.

### 7.8.4 Construction

During the construction phase of a project, the assigned project management team is responsible for the following:

- procure and arrange for delivery of the required construction materials from our suppliers to our construction sites for use by either our in-house construction teams, or in certain circumstances, requested by our subcontractors;
- monitor the progress of the in-house construction teams and our appointed subcontractors to ensure the work is done in accordance with the project specifications and within the project timeline;
- assess and review the overall project cost estimates and update them periodically if required;
- engage regularly with the client to update the client on the project progress as well as discuss and resolve any issues which may arise during the course of the construction project; and
- prepare claims and instruct our accounts department to prepare and issue invoices to our clients.

Our Group is mainly involved in the following types of road infrastructure construction projects:

- (i) surface level roads and highways;
- (ii) elevated roads such as bridges and flyovers; and
- (iii) underground roads; i.e. tunnels.

## 7. BUSINESS OVERVIEW (CONT'D)

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Further information on the process flows of the different types of construction projects undertaken by our Group are as follows:

### (i) Road and highway construction

For road and highway construction, the first phase is to carry out site preparation which may include land clearing and earthworks. For the construction of new roads, the land will need to be cleared of unwanted materials and vegetation that are in the path of new alignment. For the upgrading or construction of replacement roads, the old road will need to be demolished. After the land has been cleared, the land will need to be graded, sloped and compacted.

After site preparation, the next phase is the laying down of the subbase and road base of the road which is mainly made of stone aggregate and acts as a stable platform for the upper layers of the road. Following this, the top layers of the road are constructed, comprising a binder course and a wearing course. The binder course is an intermediate layer intended to serve two purposes; creating a smooth and level foundation for the surface course and to distribute weight of vehicles from the road surface to base course below.

The wearing course is the uppermost layer of a road and is made from asphalt. Asphalt is heated to a high temperature (approximately 150 degrees Celsius) and is laid over the binder course. After that, the asphalt is evenly spread and compacted using rollers. Once the asphalt has cooled down, and other finishing touches (such as lane markings, building of lane dividers, installation of lights and signboards) are applied, then the road or highway is completed.

### (ii) Bridge and flyover construction

We are also involved in the design and construction of elevated roads such as bridges which are used to cross bodies of water or land depressions, and flyovers which are used to allow vehicles to travel above other roads. For such construction projects, a structure is constructed above ground on which the surface course of the road is laid upon.

For the construction of elevated roads, after the site is prepared we construct the foundations for the support columns or other structural elements of the bridge or flyover. This typically involves the use of constructing retaining walls and pile driving.

Following the laying of the foundation, the next phase is the construction of the substructure, comprising the support columns to hold up the elevated road as well as abutments on either end of the road. After this phase, the superstructure is constructed which comprises the platform spanning the length of the bridge or flyover.

In constructing the superstructure, we typically use various methods including pre-cast beams, balanced cantilever construction, and segmental box-girders method which allows us to construct the elevated road by sequentially joining precast segments of the superstructure to span the spaces between the support columns instead of installing scaffolding systems under the superstructure.

## 7. BUSINESS OVERVIEW (CONT'D)

Precast segments are standardised structural components made of concrete and steel which are used to build the superstructure of an elevated road. The use of precast segments enable us to increase efficiencies in terms of cost and time to construct bridges and flyovers. These precast segments are produced using moulds in which steel and concrete is inserted and can be customised to meet the requirements of any specific project design.

The precast segments are produced at a fabrication facility located near the construction site which are then transported to the worksite, lifted into position and jointed together in the air. These joints typically incorporate expansion joints which allows for expansion and contraction due to changes in ambient temperature.

Once the superstructure construction is completed, the base of the road comprising either precast slabs or a concrete deck is constructed on top of the superstructure. The final phases of construction involve the laying down of the wearing course of the road and other finishing touches, similarly to the road and highway construction process set out in item (i) above.

### (iii) Tunnel construction

Pembinaan AJ completed the construction of a vehicular tunnel in Sepanggar, Kota Kinabalu in 2015. For this project, we employed the drill and blast method (also referred to as the Austrian tunnelling method) which uses a drilling machine and explosive to drill, blast and excavate the tunnel.

This method involves the use of specialised drilling machine which drills holes straight into the rock face along the planned path of the tunnel. These holes are then loaded with explosives and detonated to break apart the rock and create the path through the earth. After the blasting, the debris is removed from the tunnel using bulldozers, loaders and trucks. The debris, such as the usable stone aggregates, will be separated from the other waste rocks and soils, and then reuse in our road construction projects.

The interior surface of the tunnel is then further scaled to meet the width and height requirements of the tunnel project, as well as to remove any unstable or loose rock. Structural supports are then built inside the tunnel to reinforce the strength of the tunnel and to prevent cave-ins. This process is repeated until the tunnel is fully excavated.

After the excavation works is completed, we construct the road through the tunnel similarly to the road and highway construction process set out in item (i) above. For tunnels, 3 further elements must be installed as follows:

- (a) electrical systems such as lighting, closed circuit television cameras and public announcement systems;
- (b) fire and smoke control systems including ventilation systems; and
- (c) maintenance tunnels to allow workers to maintain the tunnel and serve as an escape route or access for emergency response teams during an emergency.

### 7.8.5 Procurement of construction materials

The BQ outlines all the required construction materials and its respective quantities. For projects awarded by our clients, all construction materials used in the projects, including those used by our appointed subcontractors, must be approved by our clients.

## 7. BUSINESS OVERVIEW (CONT'D)

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In view of this requirement, certain of our subcontractors prefer for our Group to procure the construction materials used for their portions of the work. Our Group orders such construction materials from our approved suppliers and obtains clients' approval for such purchased materials. Generally, this results in a shorter lead time between ordering the construction materials and having it approved and ready for use on the site. All construction materials purchased on behalf of our subcontractors are billed to them at cost plus an administrative charge to cover our related administrative costs.

Over the years, we have built a good business relationship with many of our suppliers of construction materials. During the Period under Review, we have not faced any material interruption in the supply of construction materials.

### 7.8.6 Project management and quality control ("QC")

For projects awarded by our clients, we are required to report and update the progress of our ongoing construction projects on a regular basis. As such, for each ongoing project, our project management team comprising, amongst others, our technical personnel who will work closely with our subcontractors and our site personnel to ensure that the construction project is implemented in accordance with contract documents, specifications, drawings, and relevant authorities' requirements. This team conducts periodical meetings with external consultants and subcontractors and carry out regular site visits to monitor the work done and to resolve any site matters arising during the construction period.

Our project manager will conduct regular meetings with the project owner to report on the progress of the construction and to discuss any issues that may arise and to agree on a solution to mitigate cost overruns and delays. Our project management team is also responsible for preparing the project billing to the clients.

In the event there is a change in the scope of work originally agreed upon in the contract, a variation order will be prepared and approved by us and the client. The change in scope may be caused by changes in the design due to client requests or other factors affecting the project such as delays in obtaining the possession of the work site due to complications in land acquisition caused by disagreement between the government and the landowner on the amount of compensation for the land to be acquired or delays in the original landowner vacating the land, or natural disasters such as landslides. Variation orders can be requested by the client or our Group.

Our Project team will prepare a formal request for a variation order which will outline amongst others, the proposed change in scope, the reasons for the variation as well as the impact to the total cost and project timeline. Such requests may also involve negotiations between us and the client regarding the terms of the variation order, including adjustments to the contract price and project schedule.

Once a variation order has been agreed to and issued by the client, our Project team will then implement the variation order, which may involve updating design drawings, technical specifications, work schedules and the procurement plan. Throughout the implementation of the variation order, our Project team will monitor the progress closely to ensure that the changes are integrated smoothly and do not adversely affect other aspects of the project.

Our Project team also comprise QC personnel who are responsible for ensuring our construction projects meet the quality expectations of our clients. As part of their work, the QC personnel perform quality checks on the construction materials used in the construction, on-site monitoring and auditing of both external subcontractors and in-house technical personnel as well as internal inspections on works done. Any non-compliance is then reported to the project manager for rectification.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.8.7 Final inspection and project handover

Once the construction works are completed, our project manager will arrange for a final inspection to be carried out with the project owner. Any defects identified during the inspection must be rectified and a follow up inspection must be conducted. Once the project owner approves the completed project, the CPC will be issued to us signifying that we have completed our assigned obligations and handed the work over to the project owner.

However, after the handing over of the project, we are obligated under the contract to provide a defect liability warranty under the DLP, which typically ranges from 12 to 24 months. During the DLP, we are obliged to return to the site to remedy defects in our work, if any. For road constructions, these may include repairs for road defects such as potholes, surface deterioration or cracking.

During the Period under Review up to the LPD, we have not experienced any defect liability claims or compensation demands from our clients.

### 7.9 RESEARCH AND DEVELOPMENT

We do not carry out any research and development activities as it is not relevant to the nature of our business and operations, and we did not recognise any research and development expenditure during the Period under Review.

### 7.10 TECHNOLOGY USED

Our Group utilises new and innovative construction technologies, such as the use of automated construction machinery and equipment, remote controlled drones with LiDAR capability and satellite imagery to carry out our construction activities. Please refer to Section 7.19 of this Prospectus for the list of our major machinery and equipment as well as the technology upgrades installed in them. Our Group, through the continuous efforts of Johannes Lo, our Head of Sustainability and Innovation, continues to keep abreast of the latest innovations in construction machinery, equipment and vehicles and if suitable for our operations and required for our Group's existing construction projects, purchases and adopts such new technologies to boost productivity and operational efficiency as well as optimise our cost and resources.

Some of the notable technologies that we have invested in and employed in as at the LPD are as follows:

- Our Group purchases **high-resolution satellite imagery** from third-party commercial satellite companies to create a high-resolution and comprehensive view of the construction sites' surfaces throughout the entire route of the project to map out detailed representations of the construction sites;
- Our Group has acquired 1 **drone equipped with LiDAR** to perform land surveying activities. Such drones are able to remotely capture high-resolution imagery and 3D data of land surveying areas, infrastructure, and landscapes. LiDAR uses laser pulses to capture millions of points per second, resulting in highly detailed and accurate digital representations as compared to conventional land surveying method;
- Our Group has acquired 3 **autonomous vehicle control modules** for our motor graders, enabling the operators of such vehicles perform their work more precisely, minimising mistakes and the need to redo such works, thereby improving efficiency. These upgraded systems utilise sensors, cameras, LiDAR and GPS to carry out its work more efficiently, effectively and accurately.

**7. BUSINESS OVERVIEW (CONT'D)****7.11 MAJOR CLIENTS**

Our major clients for the Period under Review were the Ministry of Works, Malaysia and JKR Sabah which contributed almost all of our Group's construction revenue for the FYEs 2021, 2022 and 2023. The revenue contributions of both clients are as follows:

	FYE 2021		FYE 2022		FYE 2023	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Revenue from construction projects undertaken by our Group</b>						
- As sole contractor	212,040	91.61	287,801	96.96	263,440	93.83
- Via joint arrangements with another construction company <sup>(1)</sup>	-	-	712	0.24	10,231	3.64
<b>Total</b>	<b>212,040</b>	<b>91.61</b>	<b>288,513</b>	<b>97.20</b>	<b>273,671</b>	<b>97.47</b>
<b>Clients</b>						
- Ministry of Works, Malaysia	142,119	61.40	196,984	66.36	185,091	65.92
- JKR Sabah	69,921	30.21	91,529	30.83	88,580	31.55
<b>Total</b>	<b>212,040</b>	<b>91.61</b>	<b>288,513</b>	<b>97.20</b>	<b>273,671</b>	<b>97.47</b>
<b>Total revenue of our Group</b>	<b>231,457</b>	<b>100.00</b>	<b>296,838</b>	<b>100.00</b>	<b>280,766</b>	<b>100.00</b>

**Note:**

(1) Represents the Kota Belud Road Project which was awarded to our construction partner and we were brought on via joint arrangements to jointly execute the project.

Our first large scale infrastructure construction project (project value above RM50 million) awarded from JKR Sabah was the Jalan Nenas upgrading project which was awarded on 11 September 2001 which was 23 years ago. Our other clients for the Period under Review comprise the individual purchasers of completed factory units at our "The Factory @ Inanam" project.

Our business and financial performance during the Period under Review was solely contributed by construction projects where Ministry of Works, Malaysia and JKR Sabah were the project owners. Please refer to Section 7.4.1 of this Prospectus for more details on the projects undertaken by our Group during the Period under Review.

We are dependent on the Ministry of Works, Malaysia and JKR Sabah in view that the revenue contribution from them is over 90% of our Group's total revenue for any of the years during the Period under Review. Due to the project-oriented nature of our construction industry, our revenue will continue to be generated from the Ministry of Works, Malaysia and JKR Sabah until all awarded contracts by them are completed. For avoidance of doubt, we will continue to be dependent on the Ministry of Works, Malaysia and JKR Sabah as we specialise in road infrastructure construction and intend to continue tendering for road infrastructure construction projects from the Ministry of Works, Malaysia and JKR Sabah.

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**7. BUSINESS OVERVIEW (CONT'D)****7.12 MAJOR SUPPLIERS**

Our Group's top 5 suppliers by total cost of sales for the Period under Review are as follows:

<b>Suppliers</b>	<b>Categories of services provided</b>	<b>Length of business relationship (years)<sup>(1)</sup></b>	<b>FYE 2021</b>	
			<b>(RM'000)</b>	<b>(%)</b>
Megaworld Synergy Sdn Bhd <sup>(2)</sup>	Subcontractor for structural works	6	17,114	10.60
Sense Power Sdn Bhd <sup>(2)</sup>	Subcontractor for drainage works, vehicular box culvert, street lighting and relocation works for drainage and electrical services	5	11,633	7.20
FC Advance Machinery Sdn Bhd	Subcontractor for superstructure works	5	10,198	6.31
Makna Setia Sdn Bhd	Subcontractor for superstructure works	4	7,953	4.92
Omega Borneo Sdn Bhd	Subcontractor for piling works and drainage works	7	7,875	4.88
<b>Total</b>			<b>54,773</b>	<b>33.91</b>
<b>Total cost of sales of our Group</b>			<b>161,529</b>	<b>100.00</b>

<b>Suppliers</b>	<b>Categories of products / services provided</b>	<b>Length of business relationship (years)<sup>(1)</sup></b>	<b>FYE 2022</b>	
			<b>(RM'000)</b>	<b>(%)</b>
Megaworld Synergy Sdn Bhd <sup>(2)</sup>	Subcontractor for structural works	6	15,743	7.64
Makna Setia Sdn Bhd	Subcontractor for superstructure works	4	12,654	6.13
Awalsa Sdn Bhd	Subcontractor for paving works	9	8,561	4.15
Sejati Harapan Enterprise	Subcontracted services for earthworks and geotechnical works	3	8,235	4.00
FC Advance Machinery Sdn Bhd	Subcontracted services for superstructure works	5	7,351	3.57
<b>Total</b>			<b>52,544</b>	<b>25.49</b>
<b>Total cost of sales of our Group</b>			<b>206,044</b>	<b>100.00</b>



**7. BUSINESS OVERVIEW (CONT'D)**

<b>Suppliers</b>	<b>Categories of services provided</b>	<b>Length of business relationship (years)<sup>(1)</sup></b>	<b>FYE 2023</b>	
			<b>(RM'000)</b>	<b>(%)</b>
Omega Borneo Sdn Bhd	Subcontractor for piling works and drainage works	7	24,861	12.24
Awalsa Sdn Bhd	Subcontractor for structural works	9	14,463	7.12
Makna Setia Sdn Bhd	Subcontractor for superstructure works	4	13,638	6.71
KN M&E Construction	Subcontractor for relocation of electrical and drainage services and street lighting	14	10,910	5.37
Megagrand Sdn Bhd	Subcontractor for the supply, fabrication and erection of structural steel girders for bridges	1	10,718	5.27
<b>Total</b>			<b>74,590</b>	<b>36.71</b>
<b>Total cost of sales of our Group</b>			<b>203,188</b>	<b>100.00</b>

**Notes:**

- (1) Length of business relationship with our major suppliers is calculated based on the date of our first business transaction with these suppliers up to the LPD.
- (2) Our purchases from Megaworld Synergy Sdn Bhd and Sense Power Sdn Bhd are considered related party transactions. As at the LPD, Megaworld Synergy Sdn Bhd remains a related party of our Group but has ceased all transactions with our Group while Sense Power Sdn Bhd is no longer a related party of our Group. Please refer to Section 10 of this Prospectus for further information on the related party transactions entered into by our Group during the Period under Review up to the LPD.

Our major suppliers comprise our subcontractors whom we engage to perform construction works under our supervision. Such appointments of suppliers are on a project-by-project basis, which may vary from year to year depending on the types of projects on hand as well as the scope of works of the respective suppliers.

During the Period under Review, we had appointed certain related parties as our subcontractors. These companies were incorporated by our Promoters to perform certain construction works required by the projects and are not typically performed by our Group. As at the LPD, none of the related parties are subcontractors of our Group. Please refer to Section 10 of this Prospectus for further information on the related parties appointed by our Group as subcontractors during the Period under Review.

During the Period under Review, we were not dependent on any individual subcontractor or supplier for our business operations as their individual share of our cost of sales was not significant. In addition, our Group has alternative subcontractors and suppliers who are able to provide the same products or services as mentioned above.

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## 7. BUSINESS OVERVIEW

### 7.13 TYPES, SOURCES AND AVAILABILITY OF PURCHASES

The major types of input materials and services that we purchased for our business operations during the Period under Review are as follows:

	FYE 2021		FYE 2022		FYE 2023	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
<b>Subcontracted services</b>	<b>96,620</b>	<b>60.99</b>	<b>92,786</b>	<b>50.81</b>	<b>86,365</b>	<b>43.97</b>
<b>Project overhead and related costs</b>						
Hiring and transportation charges	6,802	4.29	2,648	1.45	7,860	4.00
Upkeep of construction machinery and equipment	13,039	8.23	16,863	9.24	17,694	9.01
Diesel and oil	5,609	3.54	8,749	4.79	8,753	4.46
Other project overheads <sup>(1)</sup>	7,325	4.62	8,060	4.41	11,262	5.73
<b>Subtotal</b>	<b>32,775</b>	<b>20.68</b>	<b>36,320</b>	<b>19.89</b>	<b>45,569</b>	<b>23.20</b>
<b>Construction materials</b>						
Concrete and cements	1,812	1.15	4,006	2.19	12,679	6.46
Steel materials	3,324	2.10	13,207	7.23	18,598	9.47
Guardrails	-	-	-	-	4,607	2.35
Precast concrete products	2,018	1.27	3,152	1.73	4,997	2.54
Geotextile filters	4,468	2.82	12,709	6.96	1,787	0.90
Other material costs <sup>(2)</sup>	1,208	0.77	4,611	2.53	7,151	3.64
<b>Subtotal</b>	<b>12,830</b>	<b>8.11</b>	<b>37,685</b>	<b>20.64</b>	<b>49,819</b>	<b>25.36</b>
<b>Direct labour costs</b>	<b>16,185</b>	<b>10.22</b>	<b>15,805</b>	<b>8.66</b>	<b>14,668</b>	<b>7.47</b>
<b>Total</b>	<b>158,410</b>	<b>100.00</b>	<b>182,596</b>	<b>100.00</b>	<b>196,421</b>	<b>100.00</b>

**Notes:**

(1) Other project overheads include fuel, insurances, utilities, duties, levies and bank charges.

(2) Other material costs include purchases of timber for formwork, road marking and crushed stone aggregate.

## 7. BUSINESS OVERVIEW

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### (i) Subcontracted services

Our Group maintains a panel of pre-approved subcontractors, chosen based on factors such as their ability to perform the necessary works within the timeframe required, reputation, track record, experience, work quality and financial capability. Construction companies which meet these criteria are then approached and invited to submit quotes for their services. We have stringent selection procedures based on the aforementioned factors and routinely assess our internal panel of selected subcontractors, evaluating their ability to consistently deliver quality work, offer competitive pricing, meet project deadlines, and have the resources and capacity for their tasks.

Where possible, we prefer to appoint local subcontractors. However, in the event we are unable to secure the services of local subcontractors for certain specialised types of construction on terms acceptable to us, we may appoint foreign subcontractors to execute the project. For avoidance of doubt, during the Period under Review and up to the LPD, we have only appointed local subcontractors.

### (ii) Project overhead and related costs

Project overhead and related costs include general preliminary and project related expenses which are miscellaneous in nature.

### (iii) Construction materials

Our main construction materials used in our construction activities were steel bars and reinforcement, premixed and ready mixed concrete, geotextile filter cloth, diesel and lubricant, aggregates, and premixed asphalt, and so forth.

We source our construction materials from our pool of local suppliers, which are assessed and approved by our Group and our clients. We are also able to assist our subcontractors to source and purchase the construction materials for our projects at competitive prices through our bulk purchasing arrangements. The sourcing of construction materials for our projects is at the discretion of the subcontractors. We are not involved in the trading of construction materials. As a result, we supply the construction materials to our subcontractors at cost price plus administrative charges. By doing this, we are able to monitor the quality of the construction materials used in our projects and control the cost of construction.

To ensure our suppliers continuously supply quality construction materials to us, we conduct sampling inspections on the construction materials used when they are delivered to the construction sites. Any defected/non-approved construction materials will be notified to our suppliers for replacement. For the Period under Review and up to the LPD, we have not experienced any material issues from the construction materials supplied by our suppliers.

The prices of our construction materials used in our Group's projects are subject to price fluctuations based on supply and demand conditions. Generally, our Group's construction materials are easily available both locally and globally, hence, our Group does not foresee any major supply problems that would have material adverse effect on our construction operations.

### (iv) Direct labour costs

For the Period under Review, our direct labour cost comprised wages and benefits paid to our construction workers, such as project managers, supervisors, skilled workers and unskilled workers, whose are involved in our construction projects.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.14 DEPENDENCY ON CONTRACTS, AGREEMENTS, DOCUMENTS OR OTHER ARRANGEMENTS

Save for our major licences as set out in Annexure B of this Prospectus and as disclosed below, the business and profitability of our Group are not materially dependent on any contracts, agreements or other arrangements as at the LPD:

#### (i) Letter of Award in respect of Pan Borneo Highway (WP06) Project dated 2 December 2019<sup>(1)</sup>

**Parties** : **Awarding Party** – Government of Malaysia through the Ministry of Works Malaysia

**Contractor** – Pembinaan AJ

**Scope of works** : To carry out the remaining construction works<sup>(1)</sup> for the upgrading of the highway from Putatan to Inanam, Kota Kinabalu, Sabah in respect of the construction of work package 6 of the Pan Borneo Highway

**Project components** : 19.6 km dual carriageway highway beginning at Putatan and ending at Kiansom, Inanam as well as a spur road of 2.1 km connecting the Pan Borneo Highway to Bukit Padang and comprises 6 interchanges and 3 bridges

**Contract Sum** : RM808,102,550.72 and subsequently increased to RM832,085,459.22

**Contract Period** : 3 December 2019 to 3 May 2022 and subsequently extended up until 5 November 2024

**Site handover and commencement of works date** : The handing over of the site was on 3 December 2019. However, no works can be performed on the site until the following documents are presented to the Government:

- (a) Non-cancellable performance bond of RM48,601,000.00, failing which the Government has the right to impose a retention sum;
- (b) Contractor All Risks Insurance of RM972,020,000.00;
- (c) Workmen's Compensation Insurance of RM97,202,000.00; and
- (d) The employer's registration number under the Self-Employment Social Security Scheme ("**SOCSO**") and/or workmen's compensation insurance.

The above documents have been presented to the Government on 2 March 2018.

**7. BUSINESS OVERVIEW (CONT'D)**

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- Events of Default / Termination** : The awarding party shall have the right to terminate the letter of award if, amongst others:
- (a) upon issuance of any order by the awarding party, the contractor fails to fulfil requirements of the awarding party and fails to carry out the works within the period as prescribed thereby where the quality of the said works was also not satisfactory;
  - (b) the contractor has misrepresented or submitted false information during dealings with the awarding party for this awarded project or has committed any other acts, such as falsification of information in the certificate of registration of the contractor, submission of the performance bond or other documents that are false or have been modified; and
  - (c) the contractor fails/breaches its obligations stated in the conditions of contract
- Defects liability period** : 24 months from the date of issuance of the CPC
- Special Terms (if any)** : The contractor is required to implement the Professional Training and Education for Growing Entrepreneurs Program (“**Protégé Program**”) as established by the Government of Malaysia with a minimum number of 328 participants
- Status of Compliance in respect of Protégé Program<sup>(2)</sup>** : In the midst of complying
- (ii) Letter of Award in respect of Pan Borneo Highway (WP12) Project dated 29 February 2024**
- Parties** : **Awarding Party** – Government of Malaysia through the Ministry of Works, Malaysia under JKR Sabah for the execution and administration of the project
- Contractor** – Pembinaan AJ
- Scope of works** : To construct a road from Sarang to Temuno, Kota Kinabalu, Sabah in respect of the construction of work package 12 of the Pan Borneo Highway
- Project components** : 14.8 km dual carriageway highway beginning at Sarang and ending at Temuno, and comprises 4 bridges
- Contract Sum** : RM316,500,000.00
- Contract Period** : 29 February 2024 to 31 March 2027

**7. BUSINESS OVERVIEW (CONT'D)**

- Site handover and commencement of works date** : The handing over of the site was on 1 April 2024. However, no works can be performed on the site until the following documents are presented to the Government:
- (a) A non-cancellable performance bond of RM18,680,000, failing which the Government has the right to impose a retention sum;
  - (b) Public liability insurance of not less than RM2,000,000;
  - (c) Contract works insurance of RM316,500,000;
  - (d) The employer's registration number under the SOCSO and/or workmen's compensation insurance; and
  - (e) The Employees Provident Fund ("EPF") registration number.

The above documents have been presented to the Government on 10 May 2024.

- Events of Default / Termination** : The awarding party shall have the right to terminate the letter of award if, amongst others:
- (a) the contractor has misrepresented or submitted false information during dealings with the awarding party for this awarded project or has committed any other acts, such as falsification of information in the certificate of registration of the contractor, submission of the performance bond or other documents that are false or have been modified; and
  - (b) the contractor fails/breaches its obligations stated in the conditions of contract

**Defects liability period** : To be determined<sup>(3)</sup>

**Special Terms (if any)** : The contractor is required to implement the Protégé Program as established by the Government of Malaysia with a minimum number of 132 participants

**Status of Compliance in respect of Protégé Program<sup>(2)</sup>** : In the midst of complying

**(iii) Joint venture agreement in respect of Pan Borneo Highway (WP13) Project dated 1 March 2024 entered into between AJ Properties and Katata Construction (Sabah) Sdn Bhd ("Katata")**

JKR Sabah had awarded the Pan Borneo Highway (WP13) Project to Katata vide its letter of award dated 29 February 2024 ("**WP13 LOA**"). Further to the said letter of award, AJ Properties and Katata had separately on 1 March 2024, entered into a joint venture agreement to jointly amongst others, coordinate, manage and undertake the Pan Borneo Highway (WP13) Project, subject to the terms therein contained ("**JV Agreement**").

## 7. BUSINESS OVERVIEW (CONT'D)

The salient terms of the WP13 LOA and JV Agreement in respect of Pan Borneo Highway (WP13) Project are as follows:

- Parties to the WP13 LOA** : **Awarding Party** – Government of Malaysia through the Ministry of Works, Malaysia under JKR Sabah for the execution and administration of the project
- Contractor** – Katata
- Parties to the JV Agreement** : AJ Properties and Katata
- Scope of works** : To construct a road from Temuno to Bingolon, Kota Kinabalu, Sabah in respect of the construction of work package 13 of the Pan Borneo Highway
- Project components** : 21.2 km dual carriageway highway beginning at Temuno and ending at Bingolon, and comprises 3 bridges
- Contract Sum** : RM366,128,000.00 (being AJ Properties' share of the Contract Sum)
- Contract Period** : 29 February 2024 until 30 September 2027
- Site handover and commencement of works date** : The handing over of the site was on 1 April 2024. However, no works can be performed on the site until the following documents are presented to the Government:
- (a) A non-cancellable performance bond of RM18,680,000.00, failing which the Government has the right to impose a retention sum;
  - (b) Public liability insurance of not less than RM2,000,000.00;
  - (c) Contract works insurance of RM373,600,000.00;
  - (d) The employer's registration number under the SOCSO and/or workmen's compensation insurance; and
  - (e) The EPF registration number.
- The above documents have been presented to the Government on 28 May 2024.
- Events of Default / Termination of the WP13 LOA** : The awarding party shall have the right to terminate the letter of award if, amongst others:
- (a) the contractor has misrepresented or submitted false information during dealings with the awarding party for this awarded project or has committed any other acts, such as falsification of information in the certificate of registration of the contractor, submission of the performance bond or other documents that are false or have been modified; and
  - (b) the contractor fails/breaches its obligations stated in the conditions of contract.

**7. BUSINESS OVERVIEW (CONT'D)**

**Events of Default / Termination of the JV Agreement** : This joint venture agreement shall continue until expiry of the WP13 LOA and until receipt by Katata and AJ Properties of all moneys due to them pursuant to the WP13 LOA.

Either party hereto may terminate the joint venture agreement upon (i) mutual agreement; (ii) the LOA being determined by the parties thereto; and (iii) material breach by either Katata or AJ Properties.

**Defects liability period** : To be determined<sup>(3)</sup>

**Special Terms (if any)** : Katata is required to implement the Protégé Program as established by the Government of Malaysia with a minimum number of 156 participants.

**Status of Compliance in respect of Protégé Program<sup>(2)</sup>** : In the midst of complying.

**Notes:**

(1) 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. This construction project was subsequently 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 vide their letter of award dated 2 December 2019, details of which are set out in item (i) above.

Please refer to Section 7.24(ii) of this Prospectus for further information on the past events of this project.

(2) The Protégé Program is implemented by the Government to create a pool of competent, well trained, knowledgeable and skilled graduates. This is achieved through the placement and training of said graduates in participating companies over a period of time which will help them attain relevant competencies that will enhance the marketability and entrepreneurial skills of said graduates.

(3) The DLP is not stated in the letters of award issued by JKR Sabah for the Pan Borneo Highway (WP12) Project and Pan Borneo Highway (WP13) Project and shall be determined and informed to us by JKR Sabah at a later date. The usual DLP for similar projects is 24 months.

**7.15 INSURANCE**

We maintain various insurance policies to protect and safeguard our employees, properties, machinery and equipment, construction projects, subcontractors operating in our construction sites, from unforeseen risks and losses due to accidents, fire, burglary and theft, defect liability, amongst others, arising from our business and construction operations.

Pursuant to the terms of the construction contracts from the Ministry of Works, Malaysia and JKR Sabah, we are required to obtain various insurance policies for our construction projects, including contractors all risk insurance and workmen compensation insurance to manage our financial risks. For instance, contractors all risks insurance protects us against losses or damages in respect of our construction work at the construction sites as well as any third-party claims arising in connection with our construction project. Workmen compensation insurance covers our statutory liability as an employer to insure all our employees.



## 7. BUSINESS OVERVIEW (CONT'D)

In addition, we have obtained insurance policies on our construction machineries and equipment as well as vehicles used by our Group. These insurance policies protect us from theft, vandalism, accidents, damage caused by fire and floods.

All our insurance policies have specifications and insured limits that we believe are appropriate, taking into consideration our risk level and exposure to such loss, the cost of such insurance, and applicable regulatory requirements in Malaysia and in accordance with the conditions set by our clients. We will also conduct periodic review of our insurance coverage to ensure we have adequate insurance coverage, taking into consideration our size, the activities we conduct and the risks associated with our operations.

### 7.16 SEASONALITY

There is no seasonal demand in road infrastructures development and construction activities. Road infrastructure development and construction activities are correlated to the Government's investment and spending on infrastructure development in Malaysia. Hence, any material reduction in government spendings on development of new infrastructures as well as upgrading of existing infrastructure, including road infrastructure will have an impact on our Group's business, operations and financial performance.

### 7.17 EMPLOYEES

As at the LPD, we employ a total of 522 employees, all of whom are full-time employees. The breakdown of our employees by operating division are as follows:

<b>Categories</b>	<b>Local employees</b>	<b>Foreign employees</b>	<b>Total</b>
Executive Directors and senior management	16	2	18
Project - Administrative and operations staff	86	3	89
Project - Engineers and technical staff	75	2	77
Construction workers			
▪ Skilled	206	12	218
▪ Unskilled	96	24	120
<b>Total</b>	<b>479</b>	<b>43</b>	<b>522</b>

As at the LPD, approximately 10.65% of our Group's construction workers are foreigners who are mainly from Indonesia and Philippines. All our foreign construction workers working in Malaysia have valid working permits and we have not been and are not in breach of any immigration laws.

None of our employees belong to any labour union. For the Period under Review up to the LPD, there has been no major disputes pertaining to our employees.

### 7.18 INTERRUPTIONS TO BUSINESS AND OPERATIONS

There has not been any material interruption to our business operations during the past 12 months prior to the date of this Prospectus.

## 7. BUSINESS OVERVIEW (CONT'D)

### 7.19 MATERIAL PROPERTY, PLANT, MACHINERY AND EQUIPMENT

Please refer to Annexure A of this Prospectus for the material properties of our Group.

As at the LPD, our Group owns the following material construction machinery and equipment:

<u>Material construction machinery and equipment</u>	<u>No. of fully depreciated units</u>	<u>No. of units with net book values</u>	<u>Total units</u>	<u>Total net book value</u> (RM'000)
Excavators	-	55	55	12,434
Dump trucks	22	45	67	4,380
Motor graders <sup>(1)</sup>	-	7	7	2,439
Road roller machines	-	15	15	2,200
Crusher plants	-	3	3	1,972
Wheel loaders	-	10	10	1,600
Bulldozers	-	10	10	1,290
Mobile / crawler cranes	-	2	2	731
Backhoe loaders	1	6	7	614
Light trucks	12	11	23	327
Lorry cranes	1	1	2	171
Weight bridges	-	5	5	154
<b>Total</b>	<b>36</b>	<b>170</b>	<b>206</b>	<b>28,312</b>

**Note:**


(1) Inclusive of 3 motor graders which have been installed with autonomous vehicle control modules.

### 7.20 MAJOR LICENSES, PERMITS AND APPROVALS

Please refer to Annexure B of this Prospectus for the major licenses, permits and approvals of our Group.

### 7.21 BRAND NAMES, TRADEMARKS, PATENTS, LICENSE AGREEMENTS AND OTHER INTELLECTUAL PROPERTY RIGHTS

Save as disclosed below, as at the LPD, our Group has not registered or applied for any other brand names, trademarks, patents or other intellectual property rights:

<u>No.</u>	<u>Trademark</u>	<u>Class</u>	<u>Status / Validity period</u>
1.	 AZAM JAYA	Class 37 <sup>(1)</sup>	Application filed, under formality validation <sup>(2)</sup>
2.	AZAM JAYA	Class 37 <sup>(1)</sup>	Application filed, under formality validation <sup>(2)</sup>

**Notes:**

(1) Advisory services relating to building construction; Advisory services relating to the construction of public works; Building and construction services; Building construction and repair; Building construction supervision services for building projects; Building

## 7. BUSINESS OVERVIEW (CONT'D)

construction supervision services relating to shopping centers, industrial complexes, office buildings, residential buildings and other real estate developments; Construction and demolition of buildings, roads, bridges, dams or transmission lines; Construction information; Construction of bridges; Construction of buildings, roads, bridges, dams or transmission lines; Construction of factories; Construction of roads; Construction\*; Construction, maintenance and renovation of buildings; Construction, maintenance and renovation of public works; Custom construction of bridges; Custom construction of buildings; Custom construction of factories; Custom construction of roads; On site construction project management relating to building construction; Providing information relating to the construction of buildings, and repair and installation services; Provision of construction advice; Road construction; Site preparation construction; Underground structure construction; Construction of buildings, roads, bridges and dams; Maintenance of roads; Construction of tunnels; Tunneling services; Bridge construction.

- (2) The said registration application was submitted by Azam Jaya on 12 June 2024 and has been received by MyIPO.

### 7.22 MATERIAL REGULATORY REQUIREMENTS

Our Group is subject to the following governing laws and regulations which are material to our business operations:

**(i) Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 (“CIDB Act”) and its regulations**

CIDB Act and its regulations govern the registration of construction personnel as well as skills and competency certification.

The CIDB Act prescribes that no person shall undertake any construction works unless he is registered with the CIDB and hold a valid certificate of registration issued by the CIDB under the CIDB Act. Every contractor, whether registered under the CIDB Act or not, shall be subject to the provisions of CIDB Act in order to carry out or complete, undertake to carry out or complete any construction works or hold himself as a contractor. Construction works include amongst others, construction, extension, installation, renovation or dismantling of any building or erection above or below ground level and includes any works that are an integral part of or preparatory to the same.

Pursuant to Section 25 of the CIDB Act, a contractor shall register with the CIDB and hold a valid certificate of registration issued by the CIDB under the CIDB Act in order to carry out or complete, undertake to carry out or complete any construction works or hold himself as a contractor.

Section 29 of the CIDB Act provides that any person who contravenes Section 25(1) of the CIDB Act shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM10,000 but not more than RM100,000.

As at the LPD, our Group has obtained valid and subsisting CIDB license for our business operations.

**(ii) Commercial Vehicles Licensing Board Act 1987 (“CVLB Act”)**

The CVLB Act governs the use and licensing requirement in respect of the commercial vehicles.

## 7. BUSINESS OVERVIEW (CONT'D)

Under the CVLB Act, a carrier's license "C" shall entitle the holder thereof to use the authorised vehicle for the carriage of his own goods for or in connection with any trade or business carried on by him, but it shall be a condition of the license that no vehicle which is for the time being an authorised vehicle shall be used for the carriage of goods for hire or reward other than goods sold and delivered by the holder under a contract of sale where a charge is made for the delivery of the goods.

Section 34 of the CVLB provides that no person shall use a goods vehicle or cause or permit a goods vehicle to be used for the carriage of goods unless there is in force a carrier's license granted under the CVLB authorising such use, or otherwise than in accordance with such license and any conditions attached thereto, and if he does so he shall be guilty of an offence and shall on conviction be liable to a fine of not less than RM1,000.00 but not more than RM10,000.00 or to imprisonment for a term not exceeding one (1) year or to both.

As at the LPD, our Group has obtained and maintained all valid and subsisting carrier licenses for our commercial vehicles in accordance with CVLB Act.

### (iii) Control of Supplies Act 1961 ("CSA 1961")

The CSA 1961 governs the control and rationing of supply for the controlled articles.

Section 7(2) and Section 7(3) of the CSA 1961 provides that the Controller of Supplies (an officer appointed by the Yang di-Pertuan Agong pursuant to section 3 of the CSA 1961) ("**Controller**") may issue or renew licences to deal in controlled articles (as defined under Section 2(1) of the CSA 1961) and every licence issued under Section 7 shall be valid for such period as may be expressed therein and may, subject to any order made by any court under subsection 22(3) of the CSA 1961, be renewed for such further period as the Controller thinks fit.

Section 22(2) of the CSA 1961 states that any body corporate which commits an offence against CSA 1961 shall, on conviction, be liable to a fine not exceeding RM2,000,000 and, for a second or subsequent offence, to a fine not exceeding RM5,000,000.

As at the LPD, our Group holds and maintains valid scheduled controlled articles permits.

### (iv) Sabah Land Ordinance 1930 ("SLO")

The SLO governs the administration of land matters in Sabah.

Pursuant to the SLO, the state land shall mean the lands that are vested in the Government of Sabah and it is divided into two classes namely (a) town lands and (b) country lands. "title" is defined as Lease, Provisional Lease or entry in the Native Title Register or in the Field Registered issued under the provisions of the SLO.

Pursuant to Sections 34(1) and 171A of the SLO: (a) in the absence of any express condition to the contrary in the document of title, there shall by virtue of Section 34 of the SLO be implied in every document of title the condition that in case of a breach or default in the observance of any of the conditions of the said title, whether expressed or implied by the SLO, or any previous land ordinance, the government may re-enter upon the land and resume the whole or any portion of the land; and (b) the person who breaches shall, on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding 2 years or to both.

As at the LPD, our Group is in compliance with the SLO and will continue to ensure we comply with the same.

## 7. BUSINESS OVERVIEW (CONT'D)

### (v) **Employment (Restriction) Act 1968 (“ERA”) and Immigration Act 1959/63 (“Immigration Act”)**

The ERA and Immigration Act generally sets out the restriction of employment of non-citizen and the registration of such non-citizens.

In so far as non-residents of Malaysia are concerned, their employment is further governed by the ERA which imposes the requirement on a person not being a citizen to obtain a valid employment permit before he or she can be employed in any business in Malaysia or accept employment in any business in Malaysia. The ERA similarly prohibits a person from employing in Malaysia any person not being a citizen unless there has been issued in respect of that latter person a valid employment permit. Failure to comply will result the employer being fined not exceeding RM5,000 or to imprisonment for a term not exceeding 1 year or to both.

Apart from the ERA, employers of non-residents are further subject to the provisions contained in the Immigration Act, which prohibits the employment of one or more persons not in possession of valid pass or entry permit issued under the Immigration Act. Any person who contravenes this provision shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM5,000 or to imprisonment for a term not exceeding 12 months or to both.

As at the LPD, all of our foreign employees hold valid and subsisting working permits.

### (vi) **Occupational Safety and Health Act 1994 (“OSHA”)**

The OSHA makes provisions for securing the safety, health and welfare of persons at work, to protect others against risks to safety or health in connection with the activities of persons at work, as well as to promote an occupational environment for persons at work.

It shall be the duty of every employer to conduct its undertaking in such a manner as to ensure, as far as possible, that he and other persons, not being its employees who may be affected thereby are not exposed to risks to their safety or health. Every employer who provides, maintains, or imports any machinery, equipment, or appliance for use at work shall ensure the aforesaid, and the installation thereof, is safe and without risks to health when properly used; carry out testing and examination as necessary; and ensure the results of such tests are available.

The OSHA also requires a company to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work.

Pursuant to the OSHA, a person who by any act or omission contravenes any provision of the OSHA 1994 or any regulation made thereunder, shall be guilty of an offence, and if no penalty is expressly provided shall, on conviction, be liable to a fine not exceeding RM10,000 or to imprisonment for a term not exceeding one year or to both, and in the case of continuing offence, to a fine not exceeding RM1,000 for every day or part of a day during which the offence continues after conviction.

With the recent repeal of the Factories and Machinery Act 1967 (“**FMA 1967**”) and the consolidation of some of the provisions of the FMA 1967 into the OSHA effective from 1 June 2024, a few key changes shall be taken note of, amongst others the expansion of the scope of workplaces, additional duties on employers, self-employed persons, employees’ right to remove themselves from ‘imminent danger’, monitoring of workplace conditions, including physiological and psychological needs as well as increased penalties.

## 7. BUSINESS OVERVIEW (CONT'D)

Amongst others, one of the said key change was the new introduction of the provision, being Section 27D(1) of the OSHA which provides that no person shall operate or cause or permit to be operated any plant that has been installed under section 27C unless the plant has a certificate of fitness issued by an officer or a licensed person. The term 'plant' under the OSHA includes any machinery, equipment, appliance, implement or tool, any component thereof and anything fitted, connected or appurtenant thereto. A person who contravenes section 27D(1) of the OSHA shall be guilty an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding 1 year or to both.

As at the LPD, certain of our mobile / crawler and lorry cranes are deemed as 'plants' under the OSHA and requires a certificate of fitness. As at the LPD, 1 of our crane's certificate of fitness has lapsed, and we are in midst of applying for a renewal and pending the renewal, we have ceased the use of this crane. Our Group is in compliance with the relevant provisions under the OSHA and will continue to ensure that we comply with the same.

### (vii) **Local Government Ordinance 1961 ("LGO") and relevant building by-laws of the respective local or district councils**

The LGO provides that subject to the provisions of any written law and subject to limitations and conditions as may be specified therein, the local councils shall perform or may perform all or any of the following functions, including regulate and control all buildings and building operations and the repair and removal of ruinous and dangerous buildings and subject to any written law relating to town planning, prohibit the erection of a building of a particular class, design or appearance in particular districts, localities or streets or portions of streets.

Unlike the practice in Peninsular Malaysia, a certificate named "OC" will be issued by the local authority for the completed buildings in Sabah which are certified to be fit for occupation. Such requirement is governed under the Building By-Laws 1951.

Notwithstanding the foregoing, for the districts which have adopted and applied the Uniform Building By-Laws 2022 ("**By-Laws 2022**"), the said certificate will be known as "**CCC**" instead. Pursuant to By-law 220(1) of the By-laws 2022 ("**By-law 220(1)**"), no person shall occupy or permit to be occupied any building or any part thereof unless a CCC or partial CCC, as the case may be, has been issued under the said By-laws in respect of such building.

Any person who contravenes any provision of the By-laws commits an offence and shall, on conviction, be liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding 1 year or to both and in the case of a continuing offence, to a further fine not exceeding RM5,000.00 for every day during which the offence continues after conviction.

As at the LPD, our Group is in compliance with the LGO and relevant by-laws and will continue to ensure that we comply with the same.

### (viii) **Trades Licensing Ordinance 1948 ("TLO") and the by-laws of the respective local councils**

Under the TLO, a trading licence shall authorise the holder to carry on the business described in the licence. If any person contravenes the said provisions, he shall be liable for each offence to a fine of four times the amount of the licence fee and to a further fine of RM10 for each day or part of a day subsequent to a conviction during which the contravention continues.

## 7. BUSINESS OVERVIEW (CONT'D)

Every trading licence shall be exhibited in a conspicuous place of the premises and any person who fails to exhibit the licence shall on conviction be liable to a fine of RM500.

As at the LPD, our Group holds and maintains valid trading licences issued by the relevant local councils for our premises where we conduct our business activities.

The above summary does not purport to be an exhaustive description of all laws and regulations of which our business is subject to.

As at the LPD, there are no breach of laws and regulations governing our business operations, and environmental issues which may materially affect our business operations and usage of our properties.

### 7.23 ENVIRONMENTAL, SOCIAL AND GOVERNANCE

We are committed to being a responsible construction company in Malaysia and place efforts to fulfil our corporate responsibility as to environmental, social and governance (“**ESG**”) matters and believe that our corporate responsibility and sustainable growth are instrumental to the continuing growth of our business and industry.

#### (i) Environmental

The engineering and construction sector is one of the largest consumers of raw materials globally. In addition, according to CIDB Malaysia, the construction sector has a significant responsibility for up to 50% of climate change, 40% of worldwide energy consumption, and 50% of landfill waste. Furthermore, the construction sector is also responsible for air, water, and noise pollution, as well as the destruction of natural habitats.

Therefore, to become a responsible corporate citizen in promoting ESG practices, we carry out various practices to protect the environment and to minimise resources wastage and ensure sustainable consumption in our operations in our construction sites as follows:

- **Greenhouse gas emissions** – The construction sector is one of the largest emitters of greenhouse gasses. The production and use of construction materials such as steel and cement have a significant carbon footprint. Construction machinery and equipment also have environmental impacts during use and decommissioning which are mainly due to chemicals and materials used in the machine as well as exhaust gases produced while operating the machine. Furthermore, noise pollution also has an immediate effect to the surroundings, which is also regarded as an environmental impact.

To minimise environmental impact, we are progressively upgrading and/or replacing our machinery and equipment as newer machinery emit less carbon emissions and offer better fuel efficiency. During the Period under Review, our Group had purchased 67 new construction machinery and equipment such as excavators, motor graders, bulldozers, wheel loaders, road roller machines, backhoe loader, light trucks and dump trucks. The new machineries purchased and to be purchased allow us to more easily monitor fuel consumption. Additionally, certain of these new machineries also are also equipped with auto start-stop functions, which lowers engine power usage when the machineries are idle, further enhancing fuel efficiency and reducing emissions.

## 7. BUSINESS OVERVIEW (CONT'D)

We also adopt scheduled maintenance practices to repair and service our machinery and equipment and replace wear and tear parts, when necessary, to ensure their efficiency and minimise breakdowns, thus resulting in less requirement for replacement of parts.

- **Repurposing waste material for our construction** – During the Period under Review, we had repurposed waste stone created from blasting works by crushing them into a uniform size and utilising this created aggregate in road construction, particularly in Pan Borneo Highway (WP06) Project and Jalan UMS Upgrading Project. The use of this waste stone instead of dumping the same in a dumping ground reduces our wastage of such blasting works byproduct. For information, any waste materials such as extra soil or unsuitable leftover construction materials are either dumped in approved dumping sites or collected by licensed third party collectors in compliance with the relevant guidelines as required by the authorities.
- **Soil protection** – We carry out soil preparation and stabilisation to improve the soil's shear strength, increasing its bearing capacity in road construction. There are several soil stabilisation methods, which include adding cement to the soil, adding chemicals to change the chemical or physical makeup of the soil, and mechanical methods such as compaction. We also utilise eco-friendly stabilisers in our soil stabilisation process to minimise damage to the environment.

For information, our Group has not been fined for any environmental non-compliance.

### (ii) Social

We consider corporate social responsibility as a fundamental part of our corporate culture. We offer equal opportunities to our employees for career development and advancement regardless of their gender, age, race or religion to attract and retain employees. We provide a fair and balanced compensation scheme as well as a clear career path. We also provide training courses for our employees to further develop their skill sets. For example, we provide in-house training to our general construction workers and have trained them to become skilled workers to operate our construction machinery and equipment.

To ensure the health, safety and well-being of our employees, we have in place, site safety programmes, as well as provide health and safety support for our employees working at the construction sites. We also carry out emergency safety and evacuation training to our employees so that they are aware of any safety matters in our office premises and construction sites as well as capable to handle safety and emergency situations. Nevertheless, on 28 May 2023, we had an accident involving one of our site engineers at one of our construction sites which resulted in the amputation of a limb of said site engineer. We have since implemented additional safety measures including conducting site safety briefing to all site personnels as well as requiring a daily inspection on all heavy machinery to be conducted.

As part of our commitment to corporate responsibility, during the Period under Review and up to the LPD, we have also contributed donations to numerous charitable organisations and educational institutions as well as support the state of Sabah initiatives to sponsor students pursuing their studies from the secondary school level to the university level.



## 7. BUSINESS OVERVIEW (CONT'D)

### (iii) Governance

We strive to achieve and maintain board diversity to improve our Board's effectiveness, bring unique perspectives to the boardroom and enhance our Board's performance. We also adopted the steps taken to achieve the principles and practices of the Malaysian Code on Corporate Governance ("MCCG"), where as at the LPD, a majority of the members of our Board comprise independent directors. As at the LPD, 3 out of 7 of our Directors are women which is in line with the recommendations of the MCCG to have at least 30% women directors.

We also have in place policies and procedures to promote and maintain compliance to the following:

- Malaysian Anti-Corruption Commission Act 2009;
- Whistleblower Protection Act 2010;
- Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001; and
- Personal Data Protection Act 2010.

In addition, we have established proper code of ethics and conduct (as stipulated in our employee's handbook and board charter) for our Directors, key senior management and employees to follow when they perform their duties and responsibilities in ethical manner.

## 7.24 ADDITIONAL DISCLOSURES / OTHER MATTERS

### (i) Disciplinary action taken by CIDB against Pembinaan AJ

#### (a) Payment of levy to CIDB for contracts awarded

On 9 November 2018, a disciplinary action was taken against Pembinaan AJ pursuant to Section 34 of the Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994 ("CIDB Act") and the Lembaga Pembangunan Industri Pembinaan Malaysia (imposition of Levy) Order 2016 due to the delay in payment by Pembinaan AJ of the levy for work package 6 of the Pan Borneo Highway project.

The delay in payment by Pembinaan AJ was due to a disagreement between Pembinaan AJ and Kumpulan Liziz Sdn Bhd, its joint arrangement partner for the Pan Borneo Highway (WP06) Project, as to the party responsible for making the payment of the levy. Please refer to Section 7.24(ii) below for further information on work package 6 of the Pan Borneo Highway project and the background and subsequent termination of our joint arrangement with Kumpulan Liziz Sdn Bhd.

For information, Pembinaan AJ has paid the levy.

#### (b) Declaration of personnels' information to CIDB

On 26 October 2021, a disciplinary action was taken against Pembinaan AJ pursuant to Section 27 of the CIDB Act due to Pembinaan AJ's failure to furnish the list of its construction workers following a notice of the same issued by CIDB to Pembinaan AJ on 11 March 2021.

## 7. BUSINESS OVERVIEW (CONT'D)

Pembinaan AJ was unable to provide the list of its construction workers to CIDB in a timely manner due to lapses in our Group's internal control. Pembinaan AJ had subsequently provided the list of its construction workers to CIDB.

As at the LPD, both disciplinary actions taken by CIDB against Pembinaan AJ have been withdrawn and there are no further disciplinary actions taken by CIDB against us. In addition, subsequent to the above, we have since implemented the following measures to prevent the reoccurrence of the above incidents:

- (aa) include in all future joint venture agreements, a clause stating the party responsible for the payment of the levy to CIDB in cases where the levy should be paid by a joint arrangement partner of our Group;
- (bb) adopted new standard operating procedures to define the roles and responsibilities between the project department, procurement department and finance department to monitor the timeline for levy payment as well as monitoring notifications from CIDB; and
- (cc) established a monitoring framework to ensure any request or notification from CIDB are addressed in a timely manner.

### (ii) Termination of a joint arrangement with Kumpulan Liziz Sdn Bhd ("Liziz")

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. In view of the large scale of the project, Pembinaan AJ had sought to undertake this project via a joint arrangement with another construction company and had identified Liziz as its partner for this project. Pursuant to this, Datuk Jessica was appointed as a director of Liziz in October 2017 to monitor the project progress and following this, Pembinaan AJ had on 14 December 2017, formalised the joint arrangement with Liziz to jointly execute the project. Pursuant to the collaboration between our Group and Liziz, Liziz was to perform the main construction works under Pembinaan AJ's supervision and joint management.

Subsequently, Liziz entered into financial difficulties and on 25 July 2019, terminated the joint venture agreement with Pembinaan AJ and Datuk Jessica resigned as a director of Liziz in December 2019. After the termination of the collaboration with Liziz, Pembinaan AJ took over the works and continue to carry on the construction project. The termination of the collaboration with Liziz resulted in an allowance for expected credit losses of RM7.83 million and RM4.26 million to be recognised in FYE 2020 and FYE 2022, respectively. However, there was no material impact to the Group's business operations as our project management team was already actively involved in managing the project with Liziz and was able to immediately assume full management of the project upon termination of the collaboration with Liziz.

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. This was due to a change in Government policy to directly award the projects to the main contractor instead of via a project delivery partner appointed by the Government. This project remains ongoing as at the LPD and our Group is the sole main contractor for the same.

**8. INDUSTRY OVERVIEW****infobusiness**

20 JUN 2024

The Board of Directors  
 Azam Jaya Berhad  
 Lot 7, Jalan Kolam Centre 1  
 Hilltop  
 88300 Kota Kinabalu  
 Sabah  
 Malaysia

Dear Sir/Madam,

**INDEPENDENT MARKET RESEARCH REPORT ON THE CONSTRUCTION INDUSTRY IN MALAYSIA  
 (“IMR REPORT”) FOR AZAM JAYA BERHAD**

This IMR Report has been prepared for inclusion in the Prospectus of Azam Jaya Berhad (“**Azam Jaya Group**” or “**Company**”) pursuant to the listing of Azam Jaya Group on the Main Market of Bursa Securities.

Mr. Leow Hock Bee is the Research Director of Infobusiness Research & Consulting Sdn Bhd (“Infobusiness Research”). He has a Bachelor of Science (Honours) Geology from the University of Western Ontario, Canada and a Masters of Business Administration from Massey University, New Zealand. For more than 15 years, Infobusiness Research has been providing independent market research reports on corporate exercises, including initial public offerings and reverse takeovers. He has more than 30 years of experience in market research, starting his career at Ban Hin Lee Bank Berhad where he spent 10 years. He has been involved in the research of a wide range of industries such as electronics, engineering supporting, furniture, rubber gloves, retreaded tyres, plastics packaging, oil and gas, oil-palm based, construction and property development, predominantly in corporate exercises for public listed companies.

This research is undertaken with the purpose of providing a strategic and competitive analysis of the construction industry in Malaysia. The research methodology includes both primary research, involving in-depth interviews with pertinent companies, as well as secondary research such as reviewing press articles, periodicals, government literatures, in-house databases, internet research and online databases.

This IMR Report contains information supplied by and analysis based on public and private sources. To the extent such sources have been cited herein, we hereby confirm that we are allowed to make reference to such sources. We believe that they are appropriate sources for such information and have taken reasonable care in extracting and reproducing such information.

Infobusiness Research has prepared this IMR Report in an independent and objective manner and has taken all reasonable consideration and care to ensure its accuracy and completeness. This IMR Report should not be taken as recommendation to buy or not to buy the shares of any company.

For and on behalf of  
**INFOBUSINESS RESEARCH & CONSULTING SDN BHD**



**Leow Hock Bee**  
**Research Director**

## 8. INDUSTRY OVERVIEW (CONT'D)

# infobusiness

## IMR REPORT ON THE CONSTRUCTION INDUSTRY IN MALAYSIA

### 1.0 Introduction

Azam Jaya Group is a construction service provider in Sabah specialising in the construction of road infrastructure including roads, highways, bridges, flyovers, and tunnels. About 97.9% of Azam Jaya Group's revenue for the FYE 2023 was derived from construction.

### 2.0 Overview of the construction industry

The construction industry generally relates to the construction of physical infrastructure, buildings and special trade activities. It involves the full cycle of infrastructure and buildings, ranging from initial construction such as land reclamation, drainage and piling, to post-construction building services and maintenance such as refurbishments, renovations, retrofitting, repairs and maintenances, as well as their eventual demolition, dismantling or decommissioning.

Although it may be thought of as a single activity, construction is a feat of multitasking taking place across many diverse functions and segments. In many cases, construction services may be carried out by a sole contractor who complete the whole project for the project owner, or by several sub-contractors who undertake parts of the project under a main contractor. Most large construction companies undertake both infrastructure and building works as there is an overlap of the assets used such as earth-moving equipment, as well as the required technical expertise. In addition, there is considerable interchange of staff between the two disciplines.

Generally, the construction industry follows two broad business models, depending on the nature and complexity of the project:

- **Build-only projects** - traditionally, the design phase would be separated from the construction phase. During the design phase, the project owner would hire a design team comprising professionals such as quantity surveyors and civil engineers to determine a workable design for the project. Once it is completed, the construction phase is then launched, where the project owner engages a main contractor to construct the project. In turn, the main contractor may divide the project into several work packages with other construction companies acting as subcontractors. However, the main contractor will be responsible for the overall performance and progress of the project; or
- **Design and build projects** - the project owner may prefer a single point of responsibility by appointing a main contractor who would be responsible for both the design and construction of the project (design and build model). As well as being responsible for faulty workmanship in construction, the contractor is also liable for any deficiencies in design under this arrangement, such as compliance with design specifications. In some instances, the contractor may also agree to be responsible for acquiring land, financing the project and leasing the finished structure. This more comprehensive arrangement is often referred to as a "turnkey" contract.

## 8. INDUSTRY OVERVIEW (CONT'D)

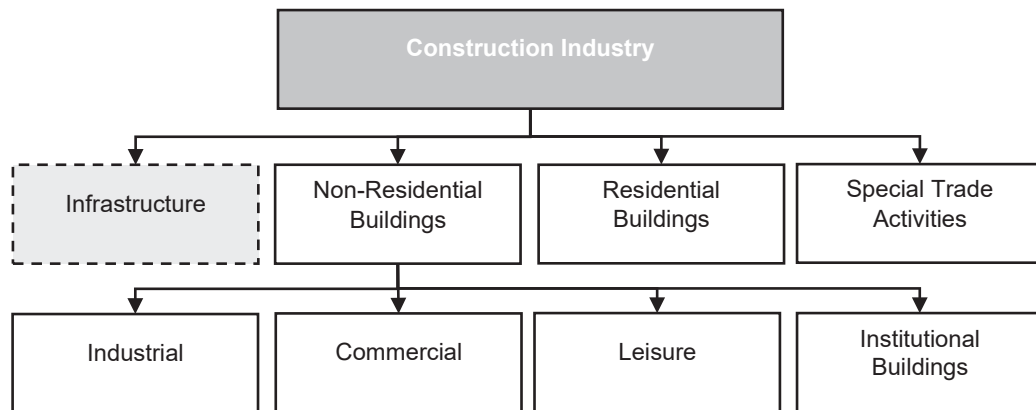
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Another advantage of a design and build contract is that the project can often be completed within a shorter period of time as compared to the conventional three-party arrangement, since the construction can begin before the entire plans and specifications are completed. This time saving results from designing the project in phases so that the contractor can begin work on the initial phase of the project while the later phases are being designed.

### 2.1 Segmentation of the construction industry

The construction industry in Malaysia can be segmented into four main segments as illustrated and described below (*Figure 1*).

*Figure 1: Segmentation of the construction industry in Malaysia*



*Note:*

*Azam Jaya Group is mainly involved in infrastructure construction (also known as civil engineering), as indicated by the dotted box. Both non-residential buildings and residential buildings are categorised as building construction under the construction industry.*

*Source: Department of Statistics*

- **Infrastructure (also known as civil engineering):** Construction of infrastructure such as expressways, highways, roads, bridges, tunnels, railways, utility plants, harbours, refineries, etc;
- **Non-residential buildings:** Construction of buildings for industrial, commercial (offices, shop units and shopping malls) and leisure activities (hotels), as well as institutional buildings such as schools, clinics, prisons, etc;
- **Residential buildings:** Construction of buildings intended for dwelling purposes; and
- **Special trade activities:** Construction activities such as demolition, drilling, drainage, piling, land reclamation, etc.

### 2.2 Value chain of the construction industry

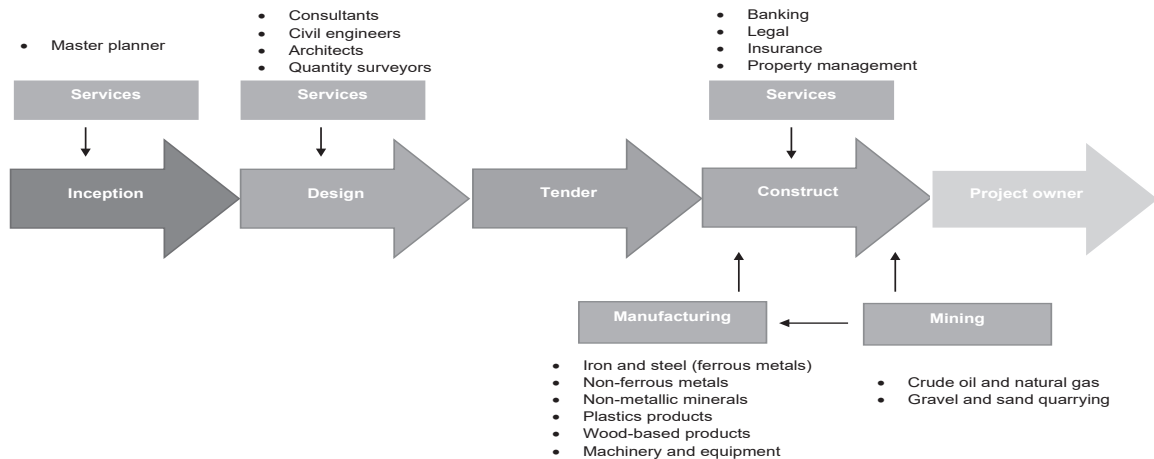
The construction industry is highly integrated with the other industries in Malaysia through both backward and forward linkages, such as the manufacturing, services and mining industries. It has high impacts and multiplier effects due to its extensive linkages with the other sectors of the economy, which have the potential to create high impacts and multiplier effects.

## 8. INDUSTRY OVERVIEW (CONT'D)

# infobusiness

According to the Construction Industry Development Board (“CIDB”), the construction industry in Malaysia has linkages with over 120 different industries in the country (**Figure 2**). For instance, building materials are manufactured from various materials such as glass, cement, ceramics, iron and steel, wood and plastics. As a result, any slowdown in the construction industry would also affect activities in the ancillary and supporting industries in the ecosystem.

**Figure 2: The Construction Industry Value Chain**



Source: Infobusiness Research

### 3.0 Government Policy

#### National Construction Policy 2030

The National Construction Policy 2030 was launched in 2021 and aims to transform the construction industry towards the digitalisation era. In addition to Malaysia’s goal of achieving a digitalised construction industry that is comparable to that of developed countries by 2030, it also seeks to strengthen the industry in terms of its sustainability, competitiveness and skill enhancement of the workforce. The thrusts of the National Construction Policy 2030 are to strengthen quality and safety in project performance across the construction industry, embrace a sustainable built environment, improve construction productivity, strengthen infrastructure maintenance, strengthening internationalisation and competitiveness, and strengthening good governance and adoption of best practices.

### 4.0 Past performance of the construction industry In Malaysia

#### 4.1 Share and contribution of the construction industry in the Malaysian economy

The construction industry constitutes an important component of the Malaysia’s economy as it acts as a catalyst to spur the economy, as construction activities will also spur the manufacturing of various building materials and provision of services locally. It has also played a key role in accumulating the nation’s capital stock such as buildings, roads, railways, ports and airports, which are necessary for the economy to expand. Between 2019 and 2023, the construction industry accounted for an average 3.9% share of the GDP (**Figure 3**). The construction industry rebounded by 5.0% in 2022 and 6.1% in 2023, after declining by 19.3% and 5.2% in 2020 and 2021, respectively, due to the various lockdowns associated with the COVID-19 pandemic. This was lifted by the continued progress of both infrastructure and building construction projects.

8. INDUSTRY OVERVIEW (CONT'D)

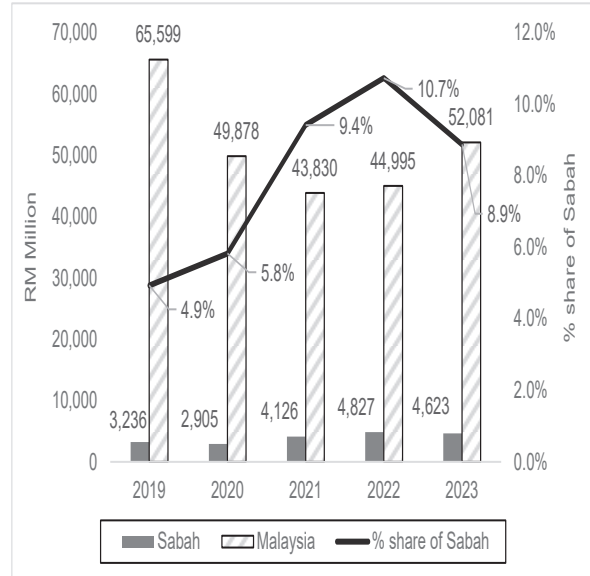


Figure 3: Construction Industry Indicators



Source: Bank Negara Malaysia

Figure 4: Value of Civil Engineering Works Done (RM Million)



Source: Department of Statistics

4.2 Value of civil engineering works done

Between 2019 and 2023, the average annual value of civil engineering works done in Sabah was recorded at RM3.9 billion, as opposed to RM51.3 billion in the case of Malaysia as a whole. However, measured in terms of percentage share, Sabah had progressively increased its share to the national figure from 4.9% in 2019 to 8.9% in 2023 (Figure 4). This was due mainly to the Government’s recognition that infrastructure in the state is lagging behind Peninsular Malaysia. However, there was a slight decline in the value of civil engineering works done in Sabah in 2023.

The contraction in the value of civil engineering works done on the national level between 2020 and 2021, was due to the imposition of the MCO and its various iterations that impacted on the construction industry. The exceptions were critical works such as slope repairs, pothole repairs, tunnelling works, or any other works which if not completed, would result in dangers to the public. However, the value of civil engineering works rebounded in Malaysia in 2022 and 2023.

5.0 Demand conditions

5.1 Fiscal pump-priming

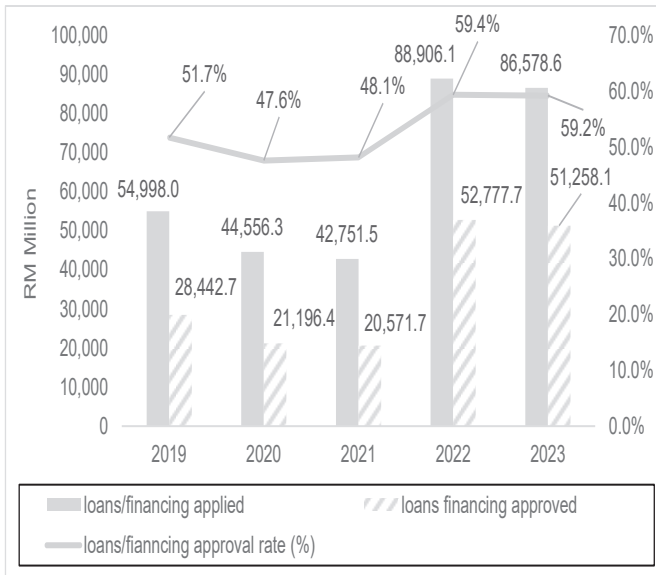
The construction industry in Malaysia has always been a prime economic mover and a frequent target for the Government’s economic stimulus measures. Due to its high multiplier effects, it has been used to pump-prime the economy by the Government in the past, through the launching of public infrastructure projects such as the East Coast Expressway, Upgrading of Penang Bridge and the Senai-Desaru Expressway after the Global Financial Crisis in 2008/2009, as well as the Asian Financial Crisis in 1997/1998. As the economy was heavily impacted by the COVID-19 pandemic, the launching of the Mass Rapid Transit 3 project is viewed as critical due to its high impacts and widespread multiplier effects (estimated costs of RM45 billion over a period of 10 years). Other construction projects which have the potential to stimulate the economy include the Pan Borneo Highway and West Coast Expressway.

8. INDUSTRY OVERVIEW (CONT'D)



5.2 Monetary Policy and Loans in the Construction Industry.

Figure 5: Loans/financing applied by and approved in construction industry (RM million)



In addition to internally generated funds to finance construction projects, construction companies constantly seek loans/financing from the banking system (commercial banks, Islamic banks and investment banks) to bridge the gaps between expenditures and obtaining payments.

Monetary policies such as money supply and interest rates may affect the volume of loans/financing applied. While the average annual volume of loans/financing applied by the construction industry was recorded at RM63,558.1 million between 2019 and 2023; the average annual volume of loans/financing approved was registered at RM34,849.3 million during the corresponding period. The loans/financing approval rate also rose from 51.7% to 59.2% during the similar period (Figure 5).

Source: Bank Negara Malaysia

5.3 The need for good infrastructure

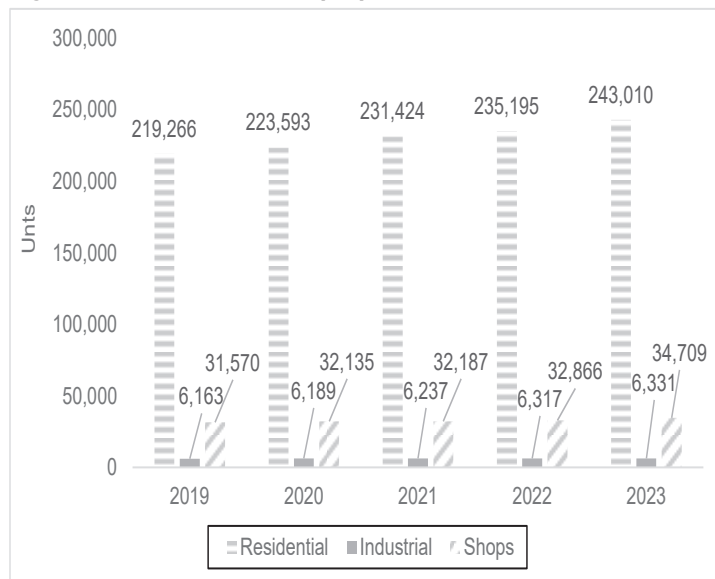
The provisions of good infrastructure play a vital role in attracting residents to purchase residential properties and move to new townships, supplemented by commercial and manufacturing establishments. In addition to the infrastructure facilities such as roads and flyovers provided by property developers, there are also continuous infrastructure expansions and improvements undertaken by government agencies to cope with an increase in traffic flows and population, as well as in maintenances. As towns expand and merge into larger urban areas and cities expand as well, the demand for more and improved infrastructure will inevitably expand in tandem.



## 8. INDUSTRY OVERVIEW (CONT'D)

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**Figure 6: Stock of selected properties in Sabah**



Source: National Property Information Centre

Residential properties dominate the stock of properties in Sabah, rising from 219,266 units in 2019 to 243,010 units in 2023, yielding a CAGR of 2.6%. Meanwhile, shop properties expanded from 31,570 units in 2019 to 34,709 units in 2023, registering a CAGR of 2.4. In the case of industrial properties, it recorded a CAGR of 0.7%, increasing from 6,163 units in 2019 to 6,331 units in 2023 (**Figure 6**).

## 6.0 Supply conditions

### 6.1 Supply chain disruptions

The COVID-19 pandemic and the Russian-Ukraine conflict has severely disrupted the global supply chain, including the construction industry. For example, Russia was the fifth largest producer of steel in the world in 2023 and the construction industry is the main end-user of steel products. The supply of building materials was also affected by the COVID-19 pandemic as most manufacturing plants ceased or suspended their operations, furloughed workers, faced disrupted logistics, etc. The availability of building materials is subject to demand and supply forces in the market, as well as logistics, payment terms and stock availability. Delivery times may increase for certain building materials if the domestic building materials suppliers do not carry ample stocks. The abovementioned supply chain pressure which led to higher prices has eased towards the end of 2022, resulting in prices for major building materials falling off their peaks.

### 6.2 Supply of earth-moving equipment

The construction industry relies on the availability of earth-moving equipment. They encompass heavy equipment used in the construction industry to move large amounts of earth, dig foundations for buildings and to landscape areas. The availability of earth-moving equipment and their spare parts were also impacted by the lockdowns associated with COVID-19, as the operations of most manufacturing plants ceased or were suspended, ports confined to limited operations and reductions in air flights that inhibit the movements of skilled engineers and technicians from machinery suppliers overseas for consultation, guidance and training.

### 6.3 Supply of labour

Although the working condition and wages for construction workers have improved over the past decade, participation among locals in the construction industry remains low, causing a critical dependence on foreign labour. There were about 400,000 documented foreign workers working in the construction industry in Malaysia as at end-August 2023.

## 8. INDUSTRY OVERVIEW (CONT'D)

# infobusiness

For skilled labour such as experienced civil engineers, architects and quantity surveyors, the ability to attract and retain the best talents always provides a construction company with a competitive advantage.

### 7.0 Substitutes

There are no substitutes to infrastructure construction activities as they are essential for the expansions of both urbanisation and industrialisation. The process of urbanisation requires the construction of more buildings for residential, commercial and leisure purposes, while the industrialisation process requires the construction of more industrial buildings. In turn, more construction and maintenance of infrastructure facilities are needed for connectivity.

### 8.0 Industry reliance on and vulnerability to imports

The construction industry relies heavily on various building materials such as steel beams, steel bars, wire rods, sand, gravel, sand bricks, clay bricks, reinforced concrete piles, concrete culverts, ready-mixed concrete, etc. The average annual imports of building materials into Malaysia was recorded at RM7,945.2 million between 2019 and 2023.

Due to the higher cost factor of imported building materials and the price-sensitive nature of most building owners, the main bulk of building materials are sourced domestically. However, certain building materials are also sourced from overseas as some project and building owners may prefer certain products with specific specifications which are not manufactured domestically. Examples of such imported building materials include certain steel products such as steel concrete reinforcing bars (rebars) and wire rods of different grades and yield strengths, insulation materials for glass products and dimension stones such as granites of specific colours. As a result, the construction industry is also reliant on and is vulnerable on imports of building materials.

### 9.0 Competitive landscape

#### 9.1 Factors of competition

In general, construction companies compete based on factors such as competitive pricings, proven track records, quality construction works and timely delivery of projects, as well as the ability to retain professional and technical talents.

The G7 contractors represent the highest grade of contractors recognised by the CIDB and can undertake construction works without any limit to the value of projects. There were 3,206 local G7 contractors specialising in road and pavement construction under the civil engineering category in Malaysia as at 14 June 2024, out of which 326 contractors were located in Sabah (Source: CIDB). The number of specialised contractors would affect the intensity of competition in a particular category.

#### 9.2 Industry players

Azam Jaya Group is a construction service provider in Sabah specialising in the construction of road infrastructure including roads, highways, bridges, flyovers, and tunnels. About 97.9% of Azam Jaya Group's revenue for the FYE 2023 was derived from road infrastructure construction.

**8. INDUSTRY OVERVIEW (CONT'D)****infobusiness**

The criteria for the selection of comparable companies to Azam Jaya Group are as follows (**Table 1**):

- Listed on Bursa Malaysia;
- Must be involved in infrastructure construction in Malaysia;
- Total revenue between RM100 million and RM1 billion in the latest FYE; and
- Operations (and revenue) derived within Malaysia only, in the latest FYE.

**Table 1: Business Activities and Financial Comparisons of Comparable Companies to Azam Jaya Group**

Company	Business Activities	Latest FYE	Total revenue (RM '000)	GP (RM '000)	GP margin (%)	PAT / LAT (RM '000)	PAT / LAT margin (%)
Azam Jaya Group	The Azam Jaya Group is a construction service provider in Sabah specialising in the construction of road infrastructure including roads, highways, bridges, flyovers, and tunnels.	31/12/23	280,766	77,578	27.6	25,983	9.3
Advancecon Holdings Berhad	It is involved in building and infrastructure construction, as well as quarrying.	31/12/23	449,765	368	0.1	-45,875	N. A.
Gabungan AQRS Berhad	It is involved in building construction and infrastructure construction, as well as property development.	31/12/22	337,771	61,048	18.1	20,140	5.9
MGB Berhad	It is involved in both building construction and infrastructure construction.	31/12/23	971,828	148,560	15.3	50,462	5.2
Nestcon Berhad	It is involved in both building construction and infrastructure construction.	31/12/23	775,146	28,314	3.7	3,901	0.5
Pesona Metro Holdings Berhad	It is involved in both building construction and infrastructure construction.	31/12/23	515,414	39,728	7.7	12,389	2.4
TCS Group Holdings Berhad	It is involved in both building construction and infrastructure construction.	31/12/23	374,481	-17,184.5	N. A.	-32,885	N. A.
Vestland Berhad	It is involved in both building construction and infrastructure construction.	31/12/23	349,242	51,326.5	14.7	27,765	7.9
Vizione Holdings Berhad	It is involved in both building construction and infrastructure construction, as well as property development.	31/05/23 <sup>1</sup>	391,779	13,110	3.4	-94,578	N. A.

## 8. INDUSTRY OVERVIEW (CONT'D)

infobusiness

Company	Business Activities	Latest FYE	Total revenue (RM '000)	GP (RM '000)	GP margin (%)	PAT / LAT (RM '000)	PAT / LAT margin (%)
WCE Holdings Berhad	It is involved in infrastructure construction and toll concessions.	31/03/23	506,770	-15,936	N. A.	72,594	14.3
Widad Group Berhad	It is involved in infrastructure construction, facilities management and concessions.	31/12/23	230,612	16,446	7.1	-16,633	N. A.

Notes:

1 = For the cumulative 18-month period between 1 December 2021 and 31 May 2023.

N. A. = Not Available / Not Applicable

Source: Comparable companies' annual reports.

### 9.3 Market size and market share

The value of civil engineering works (relating to infrastructure construction only) done amounted to RM4,623 million in Sabah in 2023 (Source: Department of Statistics). As Azam Jaya Group recorded a revenue of RM274.8 million in civil engineering works (infrastructure construction) in 2023, its market share amounted to 5.94% in the same year (**Table 2**).

**Table 2: Market Share of Azam Jaya Group in 2023**

	Value (RM Million)	Market Share (%)
Civil engineering works (relating to infrastructure construction only) in Sabah	4,623.0	-
Azam Jaya Group's revenue in civil engineering works in Sabah	274.8	5.94

## 10.0 Outlook and prospects of the construction industry

Under the Mid-Term Review of the Twelfth Malaysia Plan 2021-2025, the construction industry in Sabah is anticipated to expand by a revised target of 3.1% in its average annual growth rate between 2021-2025, a decline from the original target of 4.4% in its average annual growth rate set during the launching of the Twelfth Malaysia Plan 2021-2025 in 2021. In the case of Malaysia as a whole, the construction industry is expected to grow at a revised average annual growth rate of 3.9% between 2021-2025, a decrease from the original target of 4.2% in its average annual growth rate. This is due to the impact of the COVID-19 pandemic and the associated series of lockdowns.

The provision of basic infrastructure will be intensified in Sabah, such as the upgrading and construction of roads and bridges. Around 700 km of roads would be constructed or upgraded in Sabah between 2021-2025. The implementation of the infrastructure projects will unlock development opportunities as well as further develop the connectivity network in Sabah and they have been expedited under Budget 2024. The Sabah Pan Borneo Highway stretching 1,236 km has three phases of construction. The first phase, with 35 work packages, spans 706 km; the second phase, 98 km; while the third phase, covers 432 km. Approvals have been granted for the 19 work packages of Phase 1B of the Sabah Pan Borneo Highway covering 366 km and costing RM15.7 billion under Budget 2024. In addition, 33 high priority flood mitigation projects costing RM11.8 billion are planned to be undertaken in 2024 under Budget 2024, including one project in Kota Kinabalu, Sabah.

## 8. INDUSTRY OVERVIEW (CONT'D)

# infobusiness

There is substantial growth potential in the construction industry, as infrastructure plays a pivotal role in the development of Malaysia. In addition, it has a tremendous impact on benefitting the population and on bridging the economic gap between the urban and rural population. The country is pursuing ambitious transport infrastructure plans, including the modernisation and expansion of the rail network, improvement of roads in rural areas and development of new ports to facilitate trade. Overall, the growth of the construction industry is strongly correlated with the economy's performance. The Government's macroeconomic policy is also crucial to the construction industry, given its role as a major component of originator of demands.

Infrastructure construction, particularly in highway construction, assists to open new corridors of growth. More people and businesses, including commercial and industrial activities, would be encouraged to relocate to a new area when there is ease of access in terms of transportation. In turn, business opportunities would expand in tandem with improved connectivity and mobility of goods and services. The major infrastructure projects (multi-billion ringgit in value) currently undertaken, or in the pipeline in Malaysia, are listed in the table below (**Table 3**).

**Table 3: Major infrastructure projects undertaken or in the pipeline, in Malaysia**

Project	Location	Expected completion year	Estimated cost (RM Billion)
<b>Rail</b>			
East Coast Rail Link	Tumpat-Kuantan-Mentakab-Jelebu-Port Klang	2027	74.9
Electrified Double Track Project	Gemas-Johor Bahru	2025	9.6
Rapid Transit System	Bukit Chagar-Woodlands, Singapore	2026	10.0
Light Rail Transit Line 3	Bandar Utama-Klang	2025	16.6
Mass Rapid Transit 3	Kuala Lumpur	2033	45.0
Bayan Lepas Light Rail Transit	Penang	2030	9.5
<b>Highway/Expressway</b>			
Pan Borneo Highway	Tanjung Datu, Sarawak-Tawau, Sabah	2028	29.0
Sarawak-Sabah Link Road	Lawas-Lopeng Pa'Berunut -Lopeng	2026 (Phase 1) 2030 (Phase 2)	7.4
Northern Coastal Highway (forming part of the Trans Borneo Highway that will loop around Borneo island)	Miri-Limbang-Lawas	2028	Under proposal
West Coast Expressway	Banting-Taiping-Sabak Bernam-Changkat Jering	2025	5.0
Central Spine Road	Kuala Pilah-Kuala Krai	2026	11.0
<b>Others</b>			
West Port Expansion	West Port, Port Klang	2040	10.0
Kuching Urban Transport System	Samarahan Line and Serian Line	2025/2026	6.0
Silicon Island	Penang	2032	6.0
Penang International Airport	Penang	2028	1.5

Source: Infobusiness Research

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

### 9.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

#### 9.1.1 Particulars and shareholdings of our Promoters and Substantial Shareholders

Our Promoters and Substantial Shareholders and their respective shareholdings in our Company before and after our IPO are as follows:

Name	Country of incorporation / Nationality	Before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
<b><u>Promoters and Substantial Shareholders</u></b>									
Lokah Fortune	Malaysia	200,982,400	47.72	-	-	200,982,400	40.20	-	-
Tan Sri Joseph	Malaysian	33,249,200	7.89	<sup>(3)</sup> 116,680,000	27.70	<sup>(4)</sup> -	-	<sup>(3)</sup> 116,680,000	23.34
Datuk Jonathan	Malaysian	16,750,800	3.98	<sup>(5)</sup> 267,662,400	63.55	<sup>(4)</sup> -	-	<sup>(5)</sup> 267,662,400	53.53
Datuk Jessica	Malaysian	50,000,000	11.87	<sup>(6)</sup> 66,680,000	15.83	50,000,000	10.00	<sup>(6)</sup> 66,680,000	13.34
Johannes Lo	Malaysian	50,000,000	11.87	<sup>(6)</sup> 66,680,000	15.83	50,000,000	10.00	<sup>(6)</sup> 66,680,000	13.34
<b><u>Substantial Shareholders</u></b>									
Lo Vun Yee @ Josephine Lo	Malaysian	16,670,000	3.96	<sup>(7)</sup> 50,010,000	11.87	16,670,000	3.33	<sup>(7)</sup> 50,010,000	10.00
Lo Vun Jiun	Malaysian	16,670,000	3.96	<sup>(7)</sup> 50,010,000	11.87	16,670,000	3.33	<sup>(7)</sup> 50,010,000	10.00
Jacqueline Lo Ker Jack	Malaysian	16,670,000	3.96	<sup>(7)</sup> 50,010,000	11.87	16,670,000	3.33	<sup>(7)</sup> 50,010,000	10.00
Joanna Lo Vun Shii	Malaysian	16,670,000	3.96	<sup>(7)</sup> 50,010,000	11.87	16,670,000	3.33	<sup>(7)</sup> 50,010,000	10.00

#### Notes:

- (1) Based on the total number of 421,200,000 Shares after the Acquisitions and Share Split, but before our IPO.
- (2) Based on the enlarged total number of 500,000,000 Shares after our IPO.
- (3) Deemed interested by virtue of the shares held by his children, Johannes Lo, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii pursuant to Section 59 of the Act.
- (4) After the Offer for Sale of 50,000,000 Shares to institutional and selected investors.
- (5) Deemed interested by virtue of his direct interest in Lokah Fortune pursuant to Section 8 of the Act and the Shares held by his siblings, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii.
- (6) Deemed interested by virtue of the Shares held by his/her siblings, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii.
- (7) Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii are deemed interested in the Shares held by each other.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Our Promoters and Substantial Shareholders do not have different voting rights from other shareholders of our Group. Save as disclosed above, there are no persons who, directly or indirectly, jointly or severally, exercise control over our Company and there is no arrangement between our Company and our shareholders with any third parties which may at a subsequent date result in a change in control of our Company.

### 9.1.2 Profiles of our Promoters and Substantial Shareholders

#### (i) Lokah Fortune Sdn Bhd

Lokah Fortune was incorporated as a private limited company in Malaysia on 18 August 2022 under the Act. The principal activity of Lokah Fortune is property investment. As at the LPD, the issued share capital of Lokah Fortune is RM5,001 comprising 5,001 ordinary shares. Datuk Jonathan is the sole director and shareholder of Lokah Fortune.

#### (ii) Tan Sri Datuk Seri Panglima Joseph Lo @ Lo Tain Foh P.S.M., S.P.D.K. & P.G.D.K.

Tan Sri Joseph, a Malaysian aged 74, is our Non-Independent Executive Chairman. He was appointed to our Board on 16 June 2022. He completed his secondary education at Sabah Tshung Tsin Secondary School in Kota Kinabalu, Sabah in 1970. He has been a member of the Institute of Corporate Directors Malaysia (“**ICDM**”) since November 2023.

Tan Sri Joseph started his career in 1971 when he joined the family business which was involved in small scale earthworks and trucking of dug up soil and stone aggregates. There he was mainly involved in the operation of digging machinery at the job sites. In 1977, Tan Sri Joseph founded his first construction company, namely Yun Foh Enterprise (S) Sdn Bhd, to undertake general construction and roadworks. For information, as at the LPD, Yun Foh Enterprise (S) Sdn Bhd is a dormant company.

In 1992, Tan Sri Joseph acquired 50% equity interest in Pembinaan AJ from his relatives and subsequently increased his stake to 75% in 1994. He was also instrumental in the setting up and development of our other Subsidiaries, namely AJ Land in 2001, AJ Properties in 2012 and Kolopis Jaya in 2019. Under his leadership, our Group has grown from a small construction company to a major construction company in Sabah with an established track record in major road infrastructure construction projects, including many first of its kind projects in Sabah.

Between 1992 and April 2024, he was the Managing Director of the Group, where he was responsible for mapping our Group’s overall direction, formulating strategies to ensure growth, building business network with clients as well as overseeing the daily management and operations of our Group. Throughout the years, Tan Sri Joseph has also been guiding his children; Datuk Jonathan, Datuk Jessica and Johannes Lo in the management of various aspects of our business.

In May 2024, he was appointed as the Non-Independent Executive Chairman of our Group. Currently, Tan Sri Joseph is responsible for setting the Group’s overall strategic direction as well as formulating our Group’s expansion strategies.

He is also a director of various private limited companies, details of which are set out in Section 9.2.3 of this Prospectus.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### (iii) **Datuk Jonathan Lo Chaw Loong, JP** P.G.D.K.

Datuk Jonathan, a Malaysian aged 42, is our Non-Independent Managing Director. He was appointed to our Board on 16 June 2022. He completed the Business Foundation Course, under Bellerbys College, Cambridge, United Kingdom in 2001 and completed the necessary coursework to obtain a Diploma of Higher Education from Oxford Brookes University, United Kingdom in 2004. He then returned to Malaysia to work for his father, Tan Sri Joseph in both the construction business as well as in other companies owned by Tan Sri Joseph. Datuk Jonathan subsequently applied for and received his Diploma certificate in 2007. He has been a member of the ICDM since November 2023.

On 1 January 2006, Datuk Jonathan joined Pembinaan AJ as an Assistant Director and assisted his father, Tan Sri Joseph, to garner his knowledge and experience in the construction sector. In his early years with our Group, he primarily shadowed Tan Sri Joseph and assisted in the day-to-day management of Pembinaan AJ and AJ Land before taking a more active role in the business development and project management of our Group's construction projects.

Throughout the years, Datuk Jonathan has played a key project management role in several key construction projects undertaken by our Group, including the construction of the Sungai Sitompok Bridge, the Sepanggar Tunnel and the construction of 9 flyovers in Kota Kinabalu.

In line with his expanded responsibilities, Datuk Jonathan was appointed as a director of AJ Land, AJ Properties and Pembinaan AJ in 2011, 2012 and 2014 respectively. In May 2024, he was appointed as the Managing Director of our Group. In addition to assisting Tan Sri Joseph in formulating the strategic business plan for our Group, Datuk Jonathan also plays a key role in securing new construction projects, managing our business operations and overseeing the implementation of our Group's business strategy.

He is a director of various private limited companies, details of which are set out in Section 9.2.3 of this Prospectus.

### (iv) **Datuk Lo Vun Che @ Jessica** P.G.D.K.

Datuk Jessica, a Malaysian, aged 44, is our Non-Independent Executive Director. She was appointed to our Board on 10 May 2024. She graduated with a Bachelor of Science in Money, Banking and Finance from the University of Birmingham, United Kingdom in 2001 and a Master of Science in International Banking from Loughborough University, United Kingdom in 2002. She has been a member of the ICDM since November 2023. She was appointed as a member of the board of directors of the Sabah Tourism Board in March 2023 and has been a member of the Human Resource Development Committee of the Sabah Tourism Board since August 2023. Datuk Jessica was also appointed as an Advisory Board member for Dewan Bandaraya Kota Kinabalu in February 2024.

After her graduation, she stayed in the United Kingdom and worked as a legal assistant from 2003 to 2004 where she primarily performed administrative and support tasks for solicitors such as drafting contracts, reviewing files and assisting with general conveyancing legal works.



## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In 2004, Datuk Jessica moved to Singapore and joined United Overseas Bank Limited as a Senior Associate in the Investment Banking, Capital Markets – Singapore and North Asia department where she was involved in conducting financial analysis and due diligence on the bank's clients in order to formulate debt issuance proposals. In 2010, she was promoted to an Associate Director of the Institutional Financial Services, Corporate Banking Regional Division where she was involved in identifying opportunities to increase product penetration for the bank. In this capacity, she was involved in providing mergers & acquisition advisory, financing and equity investment services to the bank's clients. She left United Overseas Bank Limited in August 2010.

In 2011, Datuk Jessica joined Pembinaan AJ as its Assistant Director and assisted Tan Sri Joseph and Datuk Jonathan with the management of the administrative functions of our Group including overseeing and managing our Group's human resource, financial functions and accounting matters, including cash flow management and financial planning, a role she maintains to-date.

In 2014, Datuk Jessica was appointed as a director of AJ Land and was involved in conceptualising and planning the development of the Group's "The Factory @ Inanam" project carried out by AJ Land.

Datuk Jessica is a director of various private limited companies, details of which are set out in Section 9.2.3 of this Prospectus.

### (v) **Johannes Lo Chaw Jack**

Johannes Lo, a Malaysian aged 38, is our Head of Sustainability & Innovation and an Alternate Director to Tan Sri Joseph, his father. He was appointed as an Alternate Director on 10 May 2024. He completed his A-levels at Bellerbys College, United Kingdom in 2006. He has been a member of the ICDM since November 2023.

After completing his A-levels, Johannes Lo returned to Malaysia in 2007 and joined Pembinaan AJ in the Projects department, where he was trained by Tan Sri Joseph to oversee and was involved in the day-to-day on-site construction activities of our Group.

His on-site experience has enabled him to gain a deep understanding on construction operations and has been focused on identifying ways to improve safety and efficiency at our work sites. In particular, he has been instrumental in our Group's adoption of new technologies such as:

- (a) the use of precast concrete fabrication used in the Jalan UMS Upgrading Project, further details of which are set out in Section 10.1.1(iii) of this Prospectus; and
- (b) the autonomous control of various road construction machinery which increases work efficiency by using GPS to minimise human error.

Please refer to Section 7.19 of this Prospectus for further information on the material equipment and machinery used by our Group.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In 2011, Johannes Lo was appointed as a director of AJ Land and was involved in managing the development and construction phase of the “The Factory @ Inanam” project carried out by AJ Land. In 1 August 2022, he was appointed as the Chief Technical Officer of Kolopis Jaya and is responsible in overseeing all construction projects of Kolopis Jaya and specialises in handling machineries.

In May 2024, he was designated as our Head of Sustainability & Innovation where he continues to be responsible for formulating and implementing sustainable business strategies while identifying opportunities for reducing environmental impact and improving social responsibility as well as continuing to identify, introduce and implement new and innovative technologies for our construction activities.

He is a director of various private limited companies, details of which are set out in Section 9.2.3 of this Prospectus.

### (vi) Lo Vun Yee @ Josephine Lo

Lo Vun Yee @ Josephine Lo, a Malaysian aged 45, is our Substantial Shareholder. She graduated with a Bachelor of Arts (Honours) in Accounting & Finance from De Montfort University, United Kingdom in 2002.

In February 2004, she began her career as a Tax Assistant at KPMG Tax Services Sdn Bhd where she was involved in the preparation of tax returns, including individual, corporate, partnership and trust returns.

In January 2006, she joined Pembinaan AJ as a Junior Accounts Executive Cum Internal Auditor where she was involved in assisting the preparation of financial reports and assisting in managing account receivables and payables. Over the years, her responsibility grew to include amongst others, the preparation of the financial reporting and the general management of the accounts department of Pembinaan AJ. In 2014, she was promoted to Finance Manager where she continues to be responsible for general management of the accounts department of Pembinaan AJ.

In 2024, she was promoted to Assistant Director of Finance where she took on additional responsibilities relating to the treasury management of the Group.

### (vii) Lo Vun Jiun

Lo Vun Jiun, a Malaysian aged 39, is our Substantial Shareholder. She completed her foundation in Engineering from Bellerbys College, United Kingdom in 2004.

She began her career in 2008 when she became a personal assistant to Tan Sri Joseph on an unofficial basis where she was involved in scheduling appointments, organising meetings, assisting with the planning and coordination of events.

She joined AJ Land in January 2016 as an Assistant Director of Operations responsible for amongst others monitoring compliance in relation to the licenses and fixed assets of our Group.

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

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**(viii) Jacqueline Lo Ker Jack**

Jacqueline Lo Ker Jack, a Malaysian aged 38, is our Substantial Shareholder. She completed her A-Levels at Institute Sinaran, Sabah in 2007.

She began her career in 2007 when she became a personal assistant to Tan Sri Joseph on an unofficial basis where she was involved in scheduling appointments, organising meetings, assisting with the planning and coordination of events.

She joined AJ Land in September 2022 as an Assistant Director of Public Relations responsible for coordinating the Group's public relations and charitable activities.

**(ix) Joanna Lo Vun Shii**

Joanna Lo Vun Shii, a Malaysian aged 37, is our Substantial Shareholder. She graduated with a Bachelor of Architectural Design and a Master of Architecture from the Royal Melbourne Institute of Technology, Australia in 2009 and 2011 respectively.

In March 2014, she began her career as an intern at Mak Arkitek Konsult Sdn Bhd where she was involved in the drafting and designing of projects before leaving in 2015. From 2015 to 2019 she took a career break. In September 2019, she joined Pembinaan AJ's Projects department as an Assistant Director and has been involved in the design and development of "The Factory @ Inanam" project undertaken by our Group. She currently works in the Group's Projects department assisting the

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## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 9.1.3 Changes in the shareholdings of our Promoters and Substantial Shareholders

The table below sets out the changes in our Promoters' and Substantial Shareholders' shareholdings in our Company since the date of incorporation up to and after our IPO:

Name	As at the date of incorporation				After the Acquisitions and before the Share Split			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
<b><u>Promoters and Substantial Shareholders</u></b>								
Lokah Fortune	-	-	-	-	<sup>(5)</sup> 34,198,401	47.72	-	-
Tan Sri Joseph	1	50.00	-	-	5,657,555	7.89	<sup>(7)</sup> 19,853,830	27.70
Datuk Jonathan	1	50.00	-	-	2,850,253	3.98	<sup>(8)</sup> 45,544,417	63.55
Datuk Jessica	-	-	-	-	<sup>(6)</sup> 8,507,814	11.87	<sup>(9)</sup> 11,346,016	15.83
Johannes Lo	-	-	-	-	<sup>(6)</sup> 8,507,814	11.87	<sup>(9)</sup> 11,346,016	15.83
<b><u>Substantial Shareholders</u></b>								
Lo Vun Yee @ Josephine Lo	-	-	-	-	<sup>(6)</sup> 2,836,504	3.96	<sup>(10)</sup> 8,509,512	11.87
Lo Vun Jiun	-	-	-	-	<sup>(6)</sup> 2,836,504	3.96	<sup>(10)</sup> 8,509,512	11.87
Jacqueline Lo Ker Jack	-	-	-	-	<sup>(6)</sup> 2,836,504	3.96	<sup>(10)</sup> 8,509,512	11.87
Joanna Lo Vun Shii	-	-	-	-	<sup>(6)</sup> 2,836,504	3.96	<sup>(10)</sup> 8,509,512	11.87
<b>Total</b>	<b>2</b>	<b>100.00</b>			<b>71,067,853</b>	<b>99.16</b>		

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

Name	After the Share Split and before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% <sup>(3)</sup>	No. of Shares	% <sup>(3)</sup>	No. of Shares	% <sup>(4)</sup>	No. of Shares	% <sup>(4)</sup>
<b>Promoters and Substantial Shareholders</b>								
Lokah Fortune	200,982,400	47.72	-	-	200,982,400	40.20	-	-
Tan Sri Joseph	33,249,200	7.89	<sup>(7)</sup> 116,680,000	27.70	<sup>(11)</sup> -	-	<sup>(7)</sup> 116,680,000	23.34
Datuk Jonathan	16,750,800	3.98	<sup>(8)</sup> 267,662,400	63.55	<sup>(11)</sup> -	-	<sup>(8)</sup> 267,662,400	53.53
Datuk Jessica	50,000,000	11.87	<sup>(9)</sup> 66,680,000	15.83	50,000,000	10.00	<sup>(9)</sup> 66,680,000	13.34
Johannes Lo	50,000,000	11.87	<sup>(9)</sup> 66,680,000	15.83	50,000,000	10.00	<sup>(9)</sup> 66,680,000	13.34
<b>Substantial Shareholders</b>								
Lo Vun Yee @ Josephine Lo	16,670,000	3.96	<sup>(10)</sup> 50,010,000	11.87	16,670,000	3.33	<sup>(10)</sup> 50,010,000	10.00
Lo Vun Jiun	16,670,000	3.96	<sup>(10)</sup> 50,010,000	11.87	16,670,000	3.33	<sup>(10)</sup> 50,010,000	10.00
Jacqueline Lo Ker Jack	16,670,000	3.96	<sup>(10)</sup> 50,010,000	11.87	16,670,000	3.33	<sup>(10)</sup> 50,010,000	10.00
Joanna Lo Vun Shii	16,670,000	3.96	<sup>(10)</sup> 50,010,000	11.87	16,670,000	3.33	<sup>(10)</sup> 50,010,000	10.00
<b>Total</b>	<b>417,662,400</b>	<b>99.16</b>			<b>367,662,400</b>	<b>73.52</b>		

**Notes:**

- (1) Based on the total number of 2 Shares before the Acquisitions, Share Split and our IPO.
- (2) Based on the total number of 71,669,805 Shares after the Acquisitions but before the Share Split and our IPO.
- (3) Based on the total number of 421,200,000 Shares after the Acquisitions and Share Split but before our IPO.
- (4) Based on the enlarged total number of 500,000,000 Shares after our IPO.
- (5) Lokah Fortune was nominated by Datuk Jonathan to receive Azam Jaya Shares pursuant to the Acquisitions.
- (6) These shareholders are nominated by Tan Sri Joseph to receive Azam Jaya Shares pursuant to the Acquisitions.
- (7) Deemed interested by virtue of the shares held by his children, Johannes Lo, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii pursuant to Section 59 of the Act.
- (8) Deemed interested by virtue of his direct interest in Lokah Fortune pursuant to Section 8 of the Act and the Shares held by his siblings, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii.
- (9) Deemed interested by virtue of the Shares held by his/her siblings, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii.
- (10) Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii are deemed interested in the Shares held by each other.
- (11) After the Offer for Sale of 50,000,000 Shares to institutional and selected investors.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 9.1.4 Promoters' and Substantial Shareholders remuneration and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration accrued for the year) paid and proposed to be paid to our Promoters and Substantial Shareholders for services rendered in all capacities to our Group for the FYE 2023 and FYE 2024 are as follows:

#### FYE 2023

	<b>Salaries and Directors' fees</b>	<b>Other emolument<sup>(1)</sup></b>	<b>Allowances</b>	<b>Benefit-in- kind</b>	<b>Bonus</b>	<b>Total</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Tan Sri Joseph	3,864	121	36	-	591	<b>4,612</b>
Datuk Jonathan	3,564	542	36	-	891	<b>5,033</b>
Datuk Jessica	1,200	187	48	-	300	<b>1,735</b>
Johannes Lo	1,156	143	8	-	286	<b>1,593</b>
Lo Vun Yee @ Josephine Lo	290	44	24	-	45	<b>403</b>
Lo Vun Jiun	228	35	-	-	45	<b>308</b>
Jacqueline Lo Ker Jack	228	35	-	-	45	<b>308</b>
Joanna Lo Vun Shii	180	28	-	-	45	<b>253</b>

#### **Note:**

(1) Other emolument comprises Employees Provident Fund ("EPF"), Social Security Organisation and Employment Insurance Scheme.

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)****Proposed for the FYE 2024**

	<b>Salaries and Directors' fees</b>	<b>Other emolument<sup>(1)</sup></b>	<b>Allowances</b>	<b>Benefit-in- kind</b>	<b>Bonus</b>	<b>Total</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Tan Sri Joseph	3,600	145	-	-	(2)-	<b>3,745</b>
Datuk Jonathan	3,600	433	-	-	(2)-	<b>4,033</b>
Datuk Jessica	1,800	217	-	-	(2)-	<b>2,017</b>
Johannes Lo	1,800	217	-	-	(2)-	<b>2,017</b>
Lo Vun Yee @ Josephine Lo	360	44	-	-	(2)-	<b>404</b>
Lo Vun Jiun	240	30	-	-	(2)-	<b>270</b>
Jacqueline Lo Ker Jack	240	30	-	-	(2)-	<b>270</b>
Joanna Lo Vun Shii	240	30	-	-	(2)-	<b>270</b>

**Notes:**

- (1) Other emolument comprises EPF, Social Security Organisation and Employment Insurance Scheme.
- (2) The final bonuses for the FYE 2024 are not included. Such bonuses, if any, will be determined later depending on the performance of our Group, subject to the recommendation of the Remuneration Committee and approved by our Board.

**9.2 BOARD OF DIRECTORS**

The details of our Directors and the date of expiration of the current term of office for each of our Directors and the period for which each of them has served in that office as at the LPD are as follows:

<b>Name</b>	<b>Designation</b>	<b>Age</b>	<b>Nationality</b>	<b>Date of appointment</b>	<b>Date of expiration of the current term of office</b>	<b>No. of years in office</b>
Tan Sri Joseph	Non-Independent Executive Chairman	74	Malaysian	16 June 2022	At the next AGM <sup>(1)</sup>	2 years
Datuk Jonathan	Non-Independent Managing Director	42	Malaysian	16 June 2022	At the next AGM <sup>(1)</sup>	2 years

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<b>Name</b>	<b>Designation</b>	<b>Age</b>	<b>Nationality</b>	<b>Date of appointment</b>	<b>Date of expiration of the current term of office</b>	<b>No. of years in office</b>
Datuk Jessica	Non-Independent Executive Director	44	Malaysian	10 May 2024	At the next AGM <sup>(1)</sup>	Less than 1 year
Datuk Anjin Bin Ajik	Independent Non-Executive Director	73	Malaysian	21 June 2024	At the next AGM <sup>(1)</sup>	Less than 1 year
Chua Chai Hua	Independent Non-Executive Director	67	Malaysian	21 June 2024	At the next AGM <sup>(1)</sup>	Less than 1 year
Chung Yue Lin @ Erica	Independent Non-Executive Director	54	Malaysian	21 June 2024	At the next AGM <sup>(1)</sup>	Less than 1 year
Emmeline Michael Paitin	Independent Non-Executive Director	51	Malaysian	21 June 2024	At the next AGM <sup>(1)</sup>	Less than 1 year
Johannes Lo	Alternate Director to Tan Sri Joseph and Head of Sustainability and Innovation	38	Malaysian	10 May 2024	At the next AGM <sup>(1)</sup>	Less than 1 year

**Note:**

(1) To be held in [2025].

According to our Constitution, at the annual general meeting in every subsequent year an election of Directors shall take place and one-third of the Directors for the time being, or, if their number is not 3, or a multiple of 3, then the number nearest to one-third shall retire from office and be eligible for re-election provided always that Directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

Any person appointed as Director, either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next annual general meeting and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.



## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 9.2.1 Shareholdings of our Directors

The shareholdings of our Directors in our Company before and after our IPO are as follows:

	Before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
Tan Sri Joseph	33,249,200	7.89	<sup>(3)</sup> 116,680,000	27.70	<sup>(6)</sup> -	-	<sup>(3)</sup> 116,680,000	23.34
Datuk Jonathan	16,750,800	3.98	<sup>(4)</sup> 267,662,400	63.55	<sup>(6)</sup> -	-	<sup>(4)</sup> 267,662,400	53.53
Datuk Jessica	50,000,000	11.87	<sup>(5)</sup> 66,680,000	15.83	50,000,000	10.00	<sup>(5)</sup> 66,680,000	13.34
Datuk Anjin Bin Ajik	-	-	-	-	<sup>(7)</sup> 100,000	0.02	-	-
Chua Chai Hua	-	-	-	-	<sup>(7)</sup> 100,000	0.02	-	-
Chung Yue Lin @ Erica	-	-	-	-	<sup>(7)</sup> 100,000	0.02	-	-
Emmeline Michael Paitin	-	-	-	-	<sup>(7)</sup> 100,000	0.02	-	-
Johannes Lo	50,000,000	11.87	<sup>(5)</sup> 66,680,000	15.83	50,000,000	10.00	<sup>(5)</sup> 66,680,000	13.34

**Notes:**

- (1) Based on the total number of 421,200,000 Shares before our IPO.
- (2) Based on the enlarged total number of 500,000,000 Shares after our IPO.
- (3) Deemed interested by virtue of the shares held by his children, Johannes Lo, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii pursuant to Section 59 of the Act.
- (4) Deemed interested by virtue of his direct interest in Lokah Fortune pursuant to Section 8 of the Act and the Shares held by his siblings, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii pursuant to Section 59 of the Act.
- (5) Deemed interested by virtue of the Shares held by his siblings, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii pursuant to Section 59 of the Act.
- (6) After the Offer for Sale of 50,000,000 Shares to institutional and selected investors.
- (7) Assuming the Directors fully subscribe for the IPO Shares allotted to them under the Pink Form Allocation as disclosed in Section 4.3.1(b) of this Prospectus.

None of our Directors are representatives of corporate shareholders.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 9.2.2 Profiles of our Directors

The profiles of Tan Sri Joseph, Datuk Jonathan, Datuk Jessica and Johannes Lo are set out in Section 9.1.2 above. The profiles of our other Directors are set out below:

**(i) Datuk Anjin Bin Ajik** P.G.D.K.

Datuk Anjin Bin Ajik, a Malaysian aged 73, is our Independent Non-Executive Director. He was appointed to our Board on 21 June 2024. He graduated with a Degree in Civil Engineering from James Cook University, Australia in 1977.

He has been a registered professional civil engineer with the Board of Engineers Malaysia since 1997.

He began his career in 1978 when he joined JKR Sabah as a road engineer where he was involved in the planning of roadway construction and improvement projects in Keningau. In 1980, he was promoted to a District Engineer where he was responsible for managing the road development in Tambunan, Nabawan, Tenom and Keningau. In 1982, he was promoted to a divisional engineer where he was responsible for the entire roadway construction and improvement projects of 3 areas of Sabah such as Keningau, Kudat and Kota Kinabalu. In 1991, he was promoted to the Assistant Director of Roads where he was responsible for the developing long-term plans and strategies for the improvement and expansion of road networks to meet the transportation needs of Sabah, the overseeing of the planning, design and execution of road construction projects.

In 1997, he was promoted to the Deputy Director of JKR Sabah where assumed more responsibilities such as budgeting and financial management for projects and departmental activities, contribute to development and enhancement of policies related to public works, construction and infrastructure development as well as engaging with various stakeholders including government agencies, contractors and the public to facilitate effective communication and collaboration. In 2004, he was promoted to the Director of JKR Sabah where he led the entire department and provided leadership and oversee the work of various division and teams to ensure effective and efficient operations of JKR Sabah.

In 2008, he retired from JKR Sabah and in his retirement, returned to his hometown of Kota Belud, Sabah to build and operate a fishing park known as Rikaraya Fishing Park. In 2014, he was appointed as a Public Service Commissioner by the Federal Government of Malaysia, where he was involved in the interview process for the hiring of potential candidates for positions within the Government of Malaysia. He served as a Public Service Commissioner from 2014 to 2020.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### (ii) Chua Chai Hua

Chua Chai Hua, a Malaysian aged 67, is our Independent Non-Executive Director. He was appointed to our Board on 21 June 2024. He graduated with a Polytechnic Diploma in Accountancy from Newcastle Upon Tyne Polytechnic (now known as Northumbria University), United Kingdom in 1978. In 1981, he obtained his Diploma in Management Studies from Derby Lonsdale College of Higher Education (now known as University of Derby), United Kingdom. In 1982, he obtained his Master of Business Administration from The University of Aston, United Kingdom.

He began his career in 1982 when he joined Hoanbing (M) Sdn Bhd as an Accountant where he was responsible for performing accounting, financial planning and tax management tasks for the company. In 1984, he joined Malaysia Borneo Finance Corporation (M) Berhad as a Management Trainee where he was placed on a 6-month training programme to familiarise with the credit management functions of the company. Upon completing his management trainee program, he was assigned as a Credit Officer where he was responsible for preparing loan proposals for the company's branch offices in Malacca, Negeri Sembilan and Sarawak. In 1985, he was posted to the branch office in Kuching and was promoted to Officer-In-Charge and subsequently to Branch Manager where he was involved in the assessment and approval of various types of loans products, as well as to oversee the management and business performance of the branch office.

In 1991, he joined Oriental Bank Berhad as a Branch Manager where he was based at the branch office in Kota Kinabalu, Sabah. He was responsible for overseeing the overall operation and management, including managing the business performance and approval of loans of the branch office. In 1995, he was appointed as an Area Manager where he was responsible for overseeing the management and business performance of all branch offices in Sabah. In 1999, he was transferred to the branch office in Johor Bahru as an Area Manager where he oversaw the management and business performance of all branch offices in Johor and Malacca.

In 1999, he joined Overseas Union Bank (Malaysia) Berhad (now known as United Overseas Bank (Malaysia) Berhad) as a Vice President and Manager of Kuching and Sandakan Branches where he was responsible for managing the operations and business performance of the branch offices in Kuching and Sandakan. In 2002, he was redesignated as a Branch Manager of Kuching Branch where he focused on the overall management of the branch office in Kuching. In 2004, he was transferred to the Kota Kinabalu Branch as a Vice-President and Manager where he performed similar responsibilities for the branch offices in Sandakan and Kota Kinabalu. In 2011, he was transferred to the East Malaysia Area Centre in Kota Kinabalu and was promoted to Senior Vice President – Area Manager, East Malaysia. He was involved in overseeing the operations of all branch offices in East Malaysia as well as in business development strategies to ensure sustainable growth of the business within the East Malaysia region. In 2013, he was promoted to Executive Director – Area Manager, East Malaysia, a position he held until his retirement in January 2020.

In addition, he is an Independent Non-Executive Director of KTI Landmark Berhad, details of which are set out in Section 9.2.3 of this Prospectus.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### (iii) Chung Yue Lin @ Erica

Chung Yue Lin @ Erica, a Malaysian aged 54, is our Independent Non-Executive Director. She was appointed to our Board on 21 June 2024. She graduated from Tshung Tsin Pre-University with a London Chamber Commerce and Industry (LCCI) Diploma in Accounting in 1990. She also holds a Diploma in Business (Front Line Management) from Cambridge International College, Melbourne, Australia which was obtained in 2007.

She then completed her professional stage examinations for ACCA in FTMS Training College in 2007. She has been a member of the Malaysian Institute of Accountants ("MIA") since 2008 and the Fellow of the ACCA since 2013. She is also a licensed company secretary registered with CCM since 2013. She has also been an associate member of the Chartered Tax Institute of Malaysia since 2016.

She began her career in 1991 in Evermaster Sdn Bhd (now known as Evermaster Group Berhad) and subsequently joined Inter-Pacific Travel & Tours (Sabah) Sdn Bhd in 1992 where was an Accounts Clerk in both companies and was responsible for recording financial transactions of the company, processing invoices and managing the company's payables and receivables. Later in 1992, she joined Inland Sports & Recreation Club Sdn Bhd as an Accounts Supervisor, where she was responsible for supervising the preparation of accurate and timely financial reports, including income statements, balance sheets and cash flow statements.

In 1995, she joined KPMG Malaysia PLT as an Audit Assistant, involved in planning phase of audit, conducting audit fieldwork, and the preparation of audit reports. In 1996, she joined SMAS Limousine Sdn Bhd as an Assistant Finance cum Administration Manager where she was responsible for monitoring the administrative functions of the company as well as verifying all payment and receivables of the company.

In 1998, she joined Three-P System (Malaysia) Sdn Bhd as an Office Administrator where she was responsible for monitoring the sales and the sales teams' performance. In the same year, she joined Borneo Paradise Beach Hotel Sdn Bhd as an Account Executive where she was primarily responsible for preparing accounting and financial reports as well as assisting in the purchasing and human resource department. From 1999 to 2004, she served as the Chief Financial Officer for Sulug Island Management Sdn Bhd and from 2004 to 2006, she served as the Chief Financial Officer for PB Borneo Safaris Sdn Bhd where she was responsible for the finance functions of both companies.

In 2007, she joined KPMG Malaysia PLT as an Audit Senior Associate where she was involved in the auditing of clients' accounts. In end-2009 she left KPMG and joined Mega Sunwise Sdn Bhd as an Accountant. She later joined Omni-Gel Sdn Bhd as its Group Financial Controller in January 2010. In end-2010, she joined Skin Fitness Centre Sdn Bhd as an Accountant.

In 2013, she set up her own chartered accounting firm, Erica & Co, providing accountancy, company secretarial, business management and business advisory services. In 2019, she had set up Esimplify Sdn Bhd and has since been providing accountancy and company secretarial services.

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

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**(iv) Emmeline Michael Paitin**

Emmeline Michael Paitin, a Malaysian aged 51, is our Independent Non-Executive Director. She was appointed to our Board on 21 June 2024. She graduated from Oxford Brookes University, United Kingdom with a Bachelor of Business Administration and Tourism Management degree in 1997. She also holds a Bachelor of Laws (Honours) degree from Aberystwyth University, United Kingdom which was obtained in 2007 as well as a postgraduate Diploma in Professional and Legal Skills from the University of the West of England, Bristol, United Kingdom, which was obtained in 2008.

She was admitted as a member of the Honourable Society of Inner Temple, United Kingdom in 2008 and was admitted as an Advocate and Solicitor of the High Court of Sabah and Sarawak in 2010.

She began her career in Celcom (Malaysia) Berhad as a Dealer Relation & Corporate Sales Executive in 1997 where she was involved in overseeing the sales of dealers, the sales and planning for recruiting corporate clients. In 2000, she joined Sutera Harbour Resort as a Director of Membership to oversee the sales of the club membership as well as looking after the members relationship golf club and yacht club department. She subsequently took a career break in 2004 to pursue her law degree at Aberystwyth University.

In 2008, she joined Messrs Shelley Yap, Advocates & Solicitors as a Pupil-in-Chambers and was subsequently promoted to a Legal Associate in 2009, where she focused on civil litigation & conveyancing. In 2015, she set up her own law firm, JPKERUAK Advocates & Solicitors where she is presently the Managing Partner. Her practice area focuses on family law, property law, wills, trust and probate law.

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## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 9.2.3 Principal directorships and principal business activities of our Directors outside our Group

Save as disclosed below, none of our Directors is involved in any other principal business activities outside our Group as at the LPD. The following tables set out the principal directorships and shareholdings of our Directors as at the LPD (“**Present directorships / shareholdings**”) and those which were held within the past 5 years up to the LPD (“**Previous directorships / shareholdings**”), as well as their involvement in principal business activities outside the Group as at the LPD:

#### (i) Tan Sri Joseph

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / cessation as shareholder</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present directorships / shareholdings</u>				
Yuzhanghang Sdn Bhd	31.07.2000	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 3.88%)</li> </ul>	Development of building projects for own operation, i.e., for renting of space in these buildings
Jayawanto Sdn Bhd	27.05.1993	-	<ul style="list-style-type: none"> <li>▪ Director</li> </ul>	Property for rental
Realworth Marketing Sdn Bhd	05.09.1997	-	<ul style="list-style-type: none"> <li>▪ Director</li> </ul>	<ol style="list-style-type: none"> <li>1. Holding of properties for investment and premix fabrication;</li> <li>2. Rental and leasing of other machinery, equipment and tangible goods N.E.C.;</li> <li>3. Wholesale of other construction materials, hardware, plumbing and heating equipment and supplies N.E.C.</li> </ol>
Pembangunan Sinaran Mutiara Sdn Bhd	27.03.2012	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 30%)</li> </ul>	Property development

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<b>Directorships / Shareholdings</b>	<b>Date of appointment as director / joining as partner</b>	<b>Date of resignation as director / cessation as shareholder</b>	<b>Position held / % of shareholding held</b>	<b>Principal activities</b>
AJD Sdn Bhd (formerly known as Azam Jaya Development Sdn Bhd)	18.11.2014	-	▪ Director	Inactive. Previously principally involved in the development of building projects for own operation, i.e., for renting of space in these buildings
Rangkai Juta Construction Sdn Bhd	02.03.2015	-	▪ Director	Property holding / Investment
Yun Foh Enterprise (S) Sdn Bhd	15.10.1977	-	▪ Director ▪ Shareholder (Direct: 50%)	Investment holdings (currently holding 1 property for investment)
Realworth Rich Sdn Bhd	19.08.2022	-	▪ Director ▪ Shareholder (Direct: 100%)	Property investment
Sulabayau Industries Sdn Bhd	-	-	▪ Shareholder (Direct: 8.75%)	Sales of salt
<u>Previous directorships / shareholdings</u>				
Uni Azam Land Sdn Bhd	05.12.2016	29.11.2022 <sup>(1)</sup>	▪ Director	Dissolved on 29.11.2022
Mekamas Sinar Sdn Bhd	-	29.12.2021 <sup>(2)</sup>	▪ Shareholder (Direct: 17%)	Dissolved on 29.12.2021
Tamawang Sdn Bhd	-	05.09.2022	▪ Shareholder (Direct: 20%)	Civil engineering and construction works contractor

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<b>Directorships / Shareholdings</b>	<b>Date of appointment as director / joining as partner</b>	<b>Date of resignation as director / cessation as shareholder</b>	<b>Position held / % of shareholding held</b>	<b>Principal activities</b>
Megaworld Synergy Sdn Bhd	-	13.05.2024	▪ Shareholder (Direct: 40%)	Premix fabrication
AJD Sdn Bhd (formerly known as Azam Jaya Development Sdn Bhd)	-	25.05.2024	▪ Shareholder (Direct: 50%)	Inactive. Previously principally involved in the development of building projects for own operation, i.e., for renting of space in these buildings
Rangkai Juta Construction Sdn Bhd	-	13.05.2024	▪ Shareholder (Direct: 60%)	Property holding / Investment

**Notes:**

- (1) Tan Sri Joseph was a director up until the dissolution of Uni Azam Land Sdn Bhd.
- (2) Tan Sri Joseph was a shareholder up until the dissolution of Mekamas Sinar Sdn Bhd.

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## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### (ii) Datuk Jonathan

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / cessation as shareholder</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present directorships / shareholdings</u>				
Realworth Marketing Sdn Bhd	19.11.2007	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 20%)</li> </ul>	<ol style="list-style-type: none"> <li>1. Holding of properties for investment and premix fabrication;</li> <li>2. Rental and leasing of other machinery, equipment and tangible goods N.E.C.;</li> <li>3. Wholesale of other construction materials, hardware, plumbing and heating equipment and supplies N.E.C.</li> </ol>
Jayawanto Sdn Bhd	19.11.2007	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 20%)</li> </ul>	Property for rental
Pembangunan Sinaran Mutiara Sdn Bhd	27.03.2012	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 70%)</li> </ul>	Property development
Lokah Properties Sdn Bhd	30.10.2013	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 60%)</li> </ul>	Property investment
AJD Sdn Bhd (formerly known as Azam Jaya Development Sdn Bhd)	18.11.2014	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 100%)</li> </ul>	Inactive. Previously principally involved in the development of building projects for own operation, i.e., for renting of space in these buildings

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<b>Directorships / Shareholdings</b>	<b>Date of appointment as director / joining as partner</b>	<b>Date of resignation as director / cessation as shareholder</b>	<b>Position held / % of shareholding held</b>	<b>Principal activities</b>
Rangkai Juta Construction Sdn Bhd	02.03.2015	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 60%)</li> </ul>	Property holding / investment
Yun Foh Enterprise (S) Sdn Bhd	20.12.2016	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 50%)</li> </ul>	Investment holdings. (currently holding 1 property for investment)
Megaworld Synergy Sdn Bhd	04.06.2018	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 70%)</li> </ul>	Premix fabrication
Lokah Fortune Sdn Bhd	18.08.2022	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 100%)</li> </ul>	Property investment
<u>Previous directorships / shareholdings</u>				
Bunga Tetap Sdn Bhd	03.05.2007	01.09.2020	<ul style="list-style-type: none"> <li>▪ Director</li> </ul>	Money lender
Zaramo Engineering Sdn Bhd	08.06.2006	13.11.2020 <sup>(1)</sup>	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 60%)</li> </ul>	Dissolved on 13.11.2020
Jesselton Motor Sports Sdn Bhd	27.10.2011	16.09.2022 <sup>(2)</sup>	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 50%)</li> </ul>	Dissolved on 16.09.2022
Mekamas Sinar Sdn Bhd	21.09.2020	29.12.2021 <sup>(3)</sup>	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 17%)</li> </ul>	Dissolved on 29.12.2021

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)****Notes:**

- (1) Datuk Jonathan was a director and shareholder up until the dissolution of Zaramo Engineering Sdn Bhd.
- (2) Datuk Jonathan was a director and shareholder up until the dissolution of Jesselton Motor Sports Sdn Bhd.
- (3) Datuk Jonathan was a director and shareholder up until the dissolution of Mekamas Sinar Sdn Bhd.

**(iii) Datuk Jessica**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / cessation as shareholder</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present directorships / shareholdings</u>				
Pembangunan Sinaran Mutiara Sdn Bhd	28.06.2017	-	▪ Director	Property development
Realworth Marketing Sdn Bhd	26.04.2018	-	▪ Director ▪ Shareholder (Direct: 12%)	1. Holding of properties for investment and premix fabrication; 2. Rental and leasing of other machinery, equipment and tangible goods N.E.C.; 3. Wholesale of other construction materials, hardware, plumbing and heating equipment and supplies N.E.C.
Jayawanto Sdn Bhd	26.04.2018	-	▪ Director ▪ Shareholder (Direct: 12%)	Property for rental
Megaworld Synergy Sdn Bhd	04.06.2018	-	▪ Shareholder (Direct: 10%)	Premix fabrication

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<b>Directorships / Shareholdings</b>	<b>Date of appointment as director / joining as partner</b>	<b>Date of resignation as director / cessation as shareholder</b>	<b>Position held / % of shareholding held</b>	<b>Principal activities</b>
Rangkai Juta Construction Sdn Bhd	08.04.2019	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 20%)</li> </ul>	Property holding / investment
<u>Previous directorships / shareholdings</u>				
Kumpulan Liziz Sdn Bhd	03.10.2017	02.12.2019	<ul style="list-style-type: none"> <li>▪ Director</li> </ul>	Wound up on 20.09.2021
Borneo Nabal Builders Sdn Bhd	10.12.2019	25.02.2020	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 49%)</li> </ul>	Maintenance works
Sense Power Sdn Bhd	31.01.2020	30.06.2020	<ul style="list-style-type: none"> <li>▪ Director</li> </ul>	Construction of building N.E.C.; construction of other engineering projects N.E.C.; electrical installation N.E.C.

**(iv) Datuk Anjin bin Ajik**

<b>Directorships / Shareholdings</b>	<b>Date of appointment as director / joining as partner</b>	<b>Date of resignation as director</b>	<b>Position held / % of shareholding held</b>	<b>Principal activities</b>
<u>Present directorships / shareholdings</u>				
Desa Impian Rikaraya Perkongsian Liabiliti Terhad	27.09.2023	-	<ul style="list-style-type: none"> <li>▪ Partner</li> <li>▪ Shareholder (Direct: 100%)</li> </ul>	Business management consultancy services

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Previous directorships / shareholdings</u>				
Nil	Nil	Nil	Nil	Nil
<b>(v) Chua Chai Hua</b>				
<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / cessation as shareholder</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present directorships / shareholdings</u>				
KTI Landmark Berhad	01.08.2022	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: -%)(<sup>1</sup>)</li> </ul>	Investment holding. Its subsidiaries are principally involved in provision of design and build construction services and property development
Damai Golf & Country Club Berhad	-	-	<ul style="list-style-type: none"> <li>▪ Shareholder (Direct: -%)(<sup>1</sup>)</li> </ul>	Ownership and management of a golf course and other related activities
<u>Previous directorships / shareholdings</u>				
Nil	Nil	Nil	Nil	Nil

**Note:**  
(1) Negligible.

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

**(vi) Emmeline Michael Paitin**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / cessation as shareholder</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present directorships / shareholdings</u>				
Messrs JPKERUAK	15.01.2015	-	<ul style="list-style-type: none"> <li>▪ Partner</li> </ul>	Providing legal services.
<u>Previous directorships / shareholdings</u>				
Nil	Nil	Nil	Nil	Nil

**(vii) Chung Yue Lin @ Erica**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / cessation as shareholder</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present directorships / shareholdings</u>				
Esimply Sdn Bhd	14.01.2019	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 100%)</li> </ul>	Accounting, bookkeeping and auditing activities, tax consultancy
Erica & Co.	15.05.2013	-	<ul style="list-style-type: none"> <li>▪ Partner</li> <li>▪ Shareholder (Direct: 100%)</li> </ul>	Accountancy services, company secretarial services, business management.
<u>Previous directorships / shareholdings</u>				
Nil	Nil	Nil	Nil	Nil

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### (viii) Johannes Lo

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / cessation as shareholder</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present directorships / shareholdings</u>				
Realworth Marketing Sdn Bhd	19.11.2007	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 20%)</li> </ul>	<ol style="list-style-type: none"> <li>1. Holding of properties for investment and premix fabrication;</li> <li>2. Rental and leasing of other machinery, equipment and tangible goods N.E.C.;</li> <li>3. Wholesale of other construction materials, hardware, plumbing and heating equipment and supplies N.E.C.</li> </ol>
Jayawanto Sdn Bhd	19.11.2007	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 20%)</li> </ul>	Property for rental
Pembangunan Sinaran Mutiara Sdn Bhd	28.06.2017	-	<ul style="list-style-type: none"> <li>▪ Director</li> </ul>	Property development
Megaworld Synergy Sdn Bhd	18.07.2018	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 20%)</li> </ul>	Premix fabrication
Megaworld Prospect Sdn Bhd	24.08.2022	-	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 100%)</li> </ul>	Property investment services
Rangkai Juta Construction Sdn Bhd	13.05.2024	-	<ul style="list-style-type: none"> <li>▪ Shareholder (Direct: 20%)</li> </ul>	Property holding / investment

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<b>Directorships / Shareholdings</b>	<b>Date of appointment as director / joining as partner</b>	<b>Date of resignation as director / cessation as shareholder</b>	<b>Position held / % of shareholding held</b>	<b>Principal activities</b>
<u>Previous directorships / shareholdings</u>				
Tamawang Sdn Bhd	20.03.2017	30.08.2022 / 05.09.2022	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 40%)</li> </ul>	Civil engineering and construction works contractor
Mekamas Sinar Sdn Bhd	21.09.2020	29.12.2021 <sup>(1)</sup>	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 17%)</li> </ul>	Dissolved on 29.12.2021

**Note:**

(1) Johannes Lo was a director and shareholder up until the dissolution of Mekamas Sinar Sdn Bhd.

The involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our business. Further, the involvements of Tan Sri Joseph, Datuk Jonathan, Datuk Jessica and Johannes Lo in other businesses or corporations does not preclude them from allocating or committing their time and effort to our Group as they are not involved in the management and day-to-day operations of these businesses, other than attending meetings of the board of directors on which they serve. Such businesses do not require their involvement on a daily basis as these businesses are managed by their respective management. Tan Sri Joseph, Datuk Jonathan, Datuk Jessica and Johannes Lo are of the view that although they are involved in other businesses as set out above, they are able to devote sufficient time and attention to the affairs of our Group to carry out their respective duties.



## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 9.2.4 Directors' remuneration and material benefits-in-kind

The remuneration and material benefits-in-kind paid and proposed to be paid to Tan Sri Joseph, Datuk Jonathan, Datuk Jessica and Johannes Lo are set out in Section 9.1.4 above. The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration accrued for the year) paid and proposed to be paid to our Independent Directors for services rendered in all capacities to our Group for the FYE 2023 and FYE 2024 are as follows:

#### FYE 2023

	<u>Salaries</u>	<u>Directors' fees</u>	<u>Other emolument<sup>(1)</sup></u>	<u>Allowances</u>	<u>Benefit-in-kind</u>	<u>Bonus</u>	<u>Total</u>
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Datuk Anjin Bin Ajik	-	-	-	-	-	-	-
Chua Chai Hua	-	-	-	-	-	-	-
Chung Yue Lin @ Erica	-	-	-	-	-	-	-
Emmeline Michael Paitin	-	-	-	-	-	-	-

#### Proposed for FYE 2024

	<u>Salaries</u>	<u>Directors' fees</u>	<u>Other emolument<sup>(1)</sup></u>	<u>Allowances</u>	<u>Benefit-in-kind</u>	<u>Bonus</u>	<u>Total</u>
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Datuk Anjin Bin Ajik	-	<sup>(2)</sup> 31	-	2	-	-	<b>33</b>
Chua Chai Hua	-	<sup>(2)</sup> 31	-	2	-	-	<b>33</b>
Chung Yue Lin @ Erica	-	<sup>(2)</sup> 31	-	2	-	-	<b>33</b>
Emmeline Michael Paitin	-	<sup>(2)</sup> 31	-	2	-	-	<b>33</b>

#### **Notes:**

(1) Other emolument comprises EPF, Social Security Organisation and Employment Insurance Scheme.

(2) Based on their respective appointment date up to 31 December 2024.

The remuneration for each of our Directors, which includes salaries, bonuses, Directors' fees and allowances as well as other benefits, is subject to annual review by our Remuneration Committee. Our Directors' fees must be approved by our shareholders at a general meeting.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 9.2.5 Board practices

Our Board acknowledges and takes cognisance of the Malaysian Code on Corporate Governance (“MCCG”) which contains recommendations to improve upon or to enhance corporate governance as an integral part of the business activities and culture of such companies. Our Group has adopted all practices recommended by the MCCG which amongst others include have at least 30% women directors as well as a Board comprising a majority of independent directors. As at the LPD, 3 out of 7 of our Directors are women and 4 out of 7 Directors are independent directors.

Accordingly, our Board believes that our current Board composition provides the appropriate balance in terms of skills, knowledge and experience to promote the interests of our shareholders and to govern our Group effectively. The Nomination Committee will be tasked to ensure diversity among the board members regardless of age, ethnicity, cultural background and gender, at the same ensuring they possess the requisite skills, knowledge, experience, foresight and sound judgement to best serve our Group and our business and operations as a whole. Our Board will also provide a statement on the extent of compliance with the MCCG in our first annual report as a listed entity.

Within the limits set by our Constitution, our Board is responsible for the governance and the management of our Company. To ensure the effective discharge of its functions, our Board have set out the following key responsibilities in the board charter:

- (i) To promote good corporate governance culture within our Group which enforces ethical, prudent and professional behavior.
- (ii) To avoid conflicts of interest wherever possible. Where a conflict arises, they must adhere scrupulously to the procedures provided by the law, the Constitution and any policies or procedures approved by our Board for dealing with conflicts, whereby they must disclose their nature of interest during the board meeting and shall not participate in any discussion and shall abstain from the decision-making process.
- (iii) To provide oversight of sustainability management of our Group.
- (iv) To provide oversight of anti-bribery management of our Group.
- (v) To establish, review and integrate sustainability to the strategic direction and plans of our Group.
- (vi) To monitor the implementation of strategic plans by management of our Group.
- (vii) To review and approve all quarterly and annually financial statements for announcement to Bursa Securities and stakeholders. The Audit and Risk Management Committee reviews and recommends the financial statements prior to presentation to our Board.
- (viii) To oversee and evaluate the conduct of the businesses of our Group.
- (ix) To evaluate performance of the management in accordance pre-determined set of performance measurement.
- (x) To identify and evaluate business risks and ensure implementation of a managed sound risk management framework.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (xi) To reviewing the adequacy and integrity of the internal control system and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- (xii) To review and oversee the appointment, resignation or termination of Directors, company secretaries, auditors and key senior management are properly carried out and documented.
- (xiii) To ensure establishment of succession plans for our Board members and key senior management.
- (xiv) To ensure our Board is supported by at least a suitably qualified and competent company secretaries to whom shall have advice on compliance with applicable laws and any amendment to the laws and regulations related to the listing.
- (xv) To formalize ethical standards of conduct through a Code of Conduct for Directors and management and ensure compliance.
- (xvi) To develop and implement an investors' relations programme, a shareholders or stakeholders communication policy.
- (xvii) To review and address sustainability risks including environmental-related (i.e., climate change), social-related and governance-related risks and opportunities in an integrated and strategic manner to support our Group's long-term strategy and success.

### 9.2.6 Audit and Risk Management Committee

Our Audit and Risk Management Committee comprises the following members:

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Chung Yue Lin @ Erica	Chairman	Independent Non-Executive Director
Chua Chai Hua	Member	Independent Non-Executive Director
Emmeline Michael Paitin	Member	Independent Non-Executive Director

The terms of reference of our Audit and Risk Management Committee include amongst others, the following:

#### Financial Reporting

- (i) to monitor the integrity of and review the annual reports, and quarterly results and annual financial statements of the Company and the Group with management and external auditors, prior to the approval by our Board of Directors.

In respect of the above, our Audit and Risk Management Committee shall:

- (a) liaise with our Board and key senior management;
- (b) meet at least twice a year with our Company's external auditors; and
- (c) consider any significant or unusual items that are, or may need to be, reflected in the reports and accounts and give due consideration to any matters that have been raised by our Company's staff responsible for the accounting and financial reporting function, compliance officer or internal/external auditors.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

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### External Auditors

- (i) to recommend and consider the appointment and/or re-appointment of the external auditor, the audit fee and/or remuneration and the terms of engagement of the external auditor and make the necessary enquiries in the event of their resignation or dismissal;
- (ii) to discuss with the external auditor before the audit commences, the audit plan, the nature and scope of the audit and reporting timing and obligations;
- (iii) to assess the performance, capability, suitability, objectivity and independence of the external auditors, and their audit opinion; and
- (iv) to review the observations arising from the audits, and any matter the auditor may wish to raise, as well as to assess the assistance given by the employees of our Company and our Group to the external auditor.

### Internal Audit Function

- (i) to review the system of internal controls including financial, operational, compliance, information technology controls and risk management processes;
- (ii) to review and approve the internal audit plan including its adequacy of scope, functions, independence, competency and resources of the internal audit function;
- (iii) to review the results of the internal audit findings and management's response, and where necessary, ensure that appropriate actions are taken on the recommendations of the internal audit function;
- (iv) to review the effectiveness of the internal audit function, including the ability, competency and qualification of the internal audit team and/or outsourced internal auditors (if any) to perform its duties; and
- (v) to recommend any appointment or termination of senior staff members of the internal audit function and/or outsourced internal auditors (if any).

### Risk Management

- (i) to review the principal risks affecting our Group and recommend an appropriate risk management framework and policies to mitigate/manage such risks;
- (ii) to assess the quality, effectiveness and efficiency of our internal controls and advise our Board on setting appropriate policies on internal control;
- (iii) to review and deliberate on reports on significant risk findings and recommendations;
- (iv) to determine the level of risk tolerance and actively identify, assess and monitor key business risks;
- (v) to ensure that our Board conducts an annual review and periodic testing of our internal control and risk management; and
- (vi) to review the statement with regard to the Statement on Internal Control and Risk Management of our Group for inclusion in the Annual Report for the relevant financial year and report the same to our Board.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 9.2.7 Remuneration Committee

Our Remuneration Committee comprises the following members:-

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Emmeline Michael Paitin	Chairman	Independent Non-Executive Director
Datuk Anjin Bin Ajik	Member	Independent Non-Executive Director
Chung Yue Lin @ Erica	Member	Independent Non-Executive Director

The terms of reference of our Remuneration Committee include amongst others, the following:

- (i) to review and make recommendations to our Board on the remuneration policies and packages of the Executive Directors, Chief Executive Officer and key senior management of our Group;
- (ii) to review and make recommendations to our Board on Director's fees and other remuneration of the non-executive directors and independent directors linking the level of remuneration to their level of responsibilities and contribution to the Group; and
- (iii) to review policy governing the remuneration of our Directors as well as policies governing remuneration and promotion of key senior management of our Group annually.

### 9.2.8 Nomination Committee

Our Nomination Committee comprises the following members:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Datuk Anjin Bin Ajik	Chairman	Independent Non-Executive Director
Emmeline Michael Paitin	Member	Independent Non-Executive Director
Chua Chai Hua	Member	Independent Non-Executive Director

The terms of reference of our Nomination Committee include amongst others, the following:

- (i) to review the criteria to be used in the recruitment of Director and senior management;
- (ii) to review the re-appointment and re-election process of Directors having due regard to their performance and ability to continue to contribute to our Board in the light of knowledge, skills and experience required;
- (iii) to formulate a Fit and Proper Policy and to ensure that all Directors fulfil the fit and proper criteria and for conducting assessments of the fitness and properness of candidates to be appointed onto our Board and Directors who are seeking for re-election; and
- (iv) to assess and make recommendations to our Board with regard to any appointment of Directors.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 9.3 KEY SENIOR MANAGEMENT

Our Key Senior Management is responsible for the day-to-day management and operations of our Group. Our Key Senior Management as at the date of the Prospectus are as follows:

<u>Name</u>	<u>Age</u>	<u>Nationality</u>	<u>Designation</u>
Johannes Lo	38	Malaysian	Alternate Director to Tan Sri Joseph and Head of Sustainability and Innovation
Datuk Ir. Wong Chung Teck @ George Wong	76	Malaysian	Head of Projects
Chiang Chung Wing @ Edwin Chiang	53	Malaysian	Head of Procurement
Lai Vui Kiong	64	Malaysian	Head of Corporate Affairs and Finance
Wong Shing Yee	39	Malaysian	Head of Accounts
Chong Mui Har	45	Malaysian	Head of HR and Administration

#### 9.3.1 Profiles of our Key Senior Management

The profile of Johannes Lo is set out in Section 9.1.2 above. The profiles of our other Key Senior Management are as follows:

##### (i) **Datuk Ir. Wong Chung Teck @ George Wong** P.G.D.K.

Datuk Ir. Wong Chung Teck @ George Wong, a Malaysian aged 76, is our Head of Projects. He graduated from the University of Canterbury, Christchurch, New Zealand with a Bachelor of Civil Engineering degree in 1973. He has been a member of the Institution of Water Engineers and Scientists since 1982. He has also been a registered professional civil engineer with the Board of Engineers Malaysia since 1983 as well as a member of the Institution of Water and Environmental Management since 1987.

Datuk Ir. Wong Chung Teck @ George Wong began his career in 1974 as an Executive Engineer with JKR Sabah where he was involved in projects related to construction of water supply systems. From 1976 until 1982, he worked as a Divisional Engineer, overseeing the implementation of infrastructure projects in the Ranau, Kudat and Sandakan regions of Sabah. In 1983, he was promoted to Senior Executive Engineer and served as the Chief Coordinator for all major road projects implemented by JKR Sabah.

In 1987, he was transferred to the development branch of JKR and was involved in the preparation of the 5<sup>th</sup> Five-Year Malaysia Plan (Infrastructure) and annual budgets for JKR. In 1991, he was transferred to the education unit of JKR and was responsible in implementing all educational projects in schools for JKR. In 1993 he was promoted to Assistant Director of Development of JKR where his responsibilities included the strategic planning, programming, coordinating and monitoring of all development projects by JKR.

In 2001 he was promoted to Deputy Director of JKR where he was responsible for the oversight of the administrative aspect of the JKR, research and development, provision of all supporting services for District Engineers, and development planning for JKR Sabah in Sabah.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

After working for JKR Sabah for 29 years, Datuk Ir. George Wong Chung Teck left JKR to join Syarikat Brumas Jaya Sdn Bhd in 2002 as its Project Director where he was responsible for all aspects in the project management activities for the company.

He joined Pembinaan AJ in end-2009 as a Project Director where he is primarily responsible for the implementation of projects/works undertaken by our Group, including monitoring project advancement, ensuring project quality, making strategic decisions and providing leadership and guidance to project managers for executing these decisions, meeting with project owners, stakeholders and project managers to report on project progress, devising cost-effective plans to facilitate effective project completion, managing risks to avoid delays or reputational damage, ensuring permits and approvals are secured ahead of the project, managing project managers and empowering them to supervise and manage their respective teams, etc.

On 2 May 2024, he was redesignated as our Head of Projects.

### (ii) **Chiang Chung Wing @ Edwin Chiang**

Chiang Chung Wing @ Edwin Chiang, a Malaysian aged 53, is our Head of Procurement. He completed his secondary school studies at SMK All Saints, Sabah in 1987. He subsequently completed his pre-university studies in Sabah from Tshung Tsin Pre-University Centre in 1989 and obtained a Level 2 Book-keeping and Accounts qualification and Level 3 Accounting qualification from the London Chamber of Commerce and Industry (LCCI) in 1994. He has also obtained a Level 4 Pitman Accounting qualification from the Pitman Examinations Institute in 1994.

Chiang Chung Wing @ Edwin Chiang began his career in 1990 as an Account Clerk with Multiworld Enterprise Sdn Bhd, a construction company. In 1993 he left this company to join Yuen & Co, an audit firm as an Account Assistant. In 1996 he left the audit firm to join Indayamas Sdn Bhd as an Account Executive. In these 3 organisations he was primarily involved in bookkeeping such as recording day-to-day financial transactions and maintaining up-to-date accounting records.

In 2002 he joined our Group as an Account & Purchasing Officer where he was responsible for arranging payments to suppliers and the procurement of raw materials. Throughout the years, he took on additional responsibilities which amongst others include the oversight of the procurement department, the selection of the suppliers, the sourcing of raw materials and services as may be needed by our Group.

On 2 May 2024, he was redesignated as our Head of Procurement.

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

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**(iii) Lai Vui Kiong**

Lai Vui Kiong, a Malaysian aged 64, is our Head of Corporate Affairs and Finance. He passed the Institute of Chartered Secretaries and Administrators ("ICSA") in 1984 and has been an Associate of the ICSA since 1986. He graduated with a Diploma in Commerce (Financial Accounting) in 1983 from Kolej Tunku Abdul Rahman, Kuala Lumpur (now known as Tunku Abdul Rahman University of Management and Technology).

Lai Vui Kiong has over 41 years of experience in the accounting and finance fields. He began his career in 1983 when he joined Kassim Chan & Co, Kota Kinabalu (currently known as Deloitte) as an Audit Assistant and was involved in the provision of corporate secretarial and accounting services as well as statutory and special audits for the company's clients.

In 1988, he joined S. K. Timber Corporation Sdn Bhd, then a subsidiary of Inchape Group, United Kingdom as a Probationary Accountant to supervise the accounting and finance matters for its sawmill division such as preparation of management reports, cashflow projections and budgets. In 1989, he joined Chung Khiaw Bank Limited (currently known as United Overseas Bank (Malaysia) Bhd) as a Trainee Officer and was involved in the marketing, credit analysis, evaluation and supervision of the bank's wide portfolio of customers.

In 1995, he joined Kiat Leong Corporation Sdn Bhd as a Manager responsible for the administration, accounting and finance matters of the company. In 1997, he joined Sanbumi Sawmill Sdn Bhd as Group General Manager in the finance and account division. He was responsible for the company's accounts and finance matters. In 2000, he was involved in the reverse takeover exercise of EMC Logistics Berhad which resulted in the company becoming Sanbumi Holdings Berhad (now known as Iconic Worldwide Berhad) as well as its subsequent transfer of listing from the Second Board of the Kuala Lumpur Stock Exchange to the Main Board of Kuala Lumpur Stock Exchange (now known as the Main Market of Bursa Securities). He was also involved in the acquisition of Rintisan Bumi (M) Sdn Bhd (a related party of Sanbumi Sawmill Sdn Bhd) by Permaju Industries Berhad in 2004.

In 2008, he was appointed as the Financial Controller of Cergazam Sdn Bhd where he oversaw all the accounting and finance matters of the Company. In 2015, he was transferred to Sinerjuta Sdn Bhd, a related company as the Financial Controller.

He joined Azam Jaya Group as Assistant to Managing Director (then Tan Sri Joseph) in 2018 and has been responsible for managing the company's financial liquidity, cash flow and financial assets. In 2018, he was appointed as a director of AJ Properties.

On 2 May 2024, he has been redesignated as our Head of Corporate Affairs and Finance and post listing he will be responsible for investor relations of the Group.



## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### (iv) Wong Shing Yee

Wong Shing Yee, a Malaysian aged 39, is our Head of Accounts. She graduated from the University of South Australia, Australia with a Bachelor of Commerce degree in 2005. She has been member of CPA Australia and MIA since 2011 and 2022, respectively.

Wong Shing Yee began her career in 2007 as a Compliance Administrator at Cavendish Superannuation Pty Ltd (now known as SuperConcepts) in Australia before joining Perks Chartered Accountants (now known as Perks Accountants & Wealth Advisers) in Australia as a Superannuation Administrator in 2008, where she was promoted to an Accountant in 2010. As an Accountant, she was mainly involved in accounting matters including preparation of financial statements, tax returns, annual budgets, analyse financial information, and reporting.

In 2014, she joined Crowe Horwath KK Tax Sdn Bhd (now known as Crowe KK Tax (Sabah) PLT) as a Senior Tax Assistant and was promoted to Assistant Manager in 2017. She left Crowe Horwath KK Tax Sdn Bhd to join our Group in 2020 as an Assistant Account Manager and was subsequently promoted to Account Manager in 2022 where she was responsible for amongst others, the preparation of our Group's financial and accounting reporting and managing the accounts department's day-to-day functions.

On 2 May 2024, she was redesignated to our Head of Accounts.

### (v) Chong Mui Har

Chong Mui Har, a Malaysian aged 45, is our Head of HR and Administration. She completed her secondary school studies at SMK St. Peter Kudat, Sabah in 1996.

Chong Mui Har began her career in 1997 as a Clerk with Indayamas Sdn Bhd and was responsible for all clerical works and ad hoc duties. In 1998 she was transferred to Sulabayau Industries Sdn Bhd as the HR Cum Admin Supervisor where she was responsible for the HR and administration activities of the company, such as managing the attendance list, generate payroll for the company's employees and assist in clerical works as well as performing ad hoc duties. In 2000 she was transferred to Rangkai Juta Construction Sdn Bhd, a related company of Sulabayau Industries Sdn Bhd, as a Site HR cum Admin Officer where she handles general administrative tasks and HR duties

In 2004 she was transferred to Alpha Borneo Sdn Bhd, another related company of Sulabayau Industries Sdn Bhd and acted as Personal Assistant to Director cum HR & Purchasing Manager where she was providing secretarial support to the director, prepared purchase request and responsible for the administrative function of the HR department.

In 2017, she joined our Group as our Human Resources Cum Purchasing Officer where she is primarily responsible for the overseeing all affairs and matter in relation to human resources, including but not limited to coordinating and managing workforce, recruiting and hiring as well as dealing with any employment issues which may arise. She was appointed as a director of Alpha Borneo in 2018 where she served in a non-executive capacity and remained a director until her resignation in August 2023.

On 2 May 2024, she was redesignated as our Head of HR and Administration.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 9.3.2 Shareholdings of our Key Senior Management

The following table sets forth the direct and indirect shareholdings of each of our Key Senior Management before and after our IPO, assuming each of our Key Senior Management will subscribe for their respective Pink Form Allocation:

Name	Before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(1)</sup>	No. of Shares	% <sup>(2)</sup>	No. of Shares	% <sup>(2)</sup>
Johannes Lo	50,000,000	11.87	<sup>(3)</sup> 66,680,000	15.83	50,000,000	10.00	<sup>(3)</sup> 66,680,000	13.34
Datuk Ir. Wong Chung Teck @ George Wong	-	-	-	-	<sup>(4)</sup> 200,000	0.04	-	-
Chiang Chung Wing @ Edwin Chiang	-	-	-	-	<sup>(4)</sup> 120,000	0.02	-	-
Lai Vui Kiong	3,537,600	0.84	-	-	<sup>(4)</sup> 3,597,600	0.72	-	-
Wong Shing Yee	-	-	-	-	<sup>(4)</sup> 20,000	*-	-	-
Chong Mui Har	-	-	-	-	<sup>(4)</sup> 120,000	0.02	-	-

#### Notes:

\* Less than 0.005%.

(1) Based on the total number of 421,200,000 Shares before our IPO.

(2) Based on the enlarged total number of 500,000,000 Shares after our IPO.

(3) Deemed interested by virtue of the Shares held by his siblings, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii.

(4) Assuming the Key Senior Management fully subscribe for the IPO Shares allotted to them under the Pink Form Allocation as disclosed in Section 4.3.1(b) of this Prospectus.

As disclosed above, save for Johannes Lo and Lai Vui Kiong, none of our other Key Senior Management has any shareholding (direct or indirect) in our Company as at the LPD. None of our Key Senior Management are representatives of corporate shareholders. Each of our Key Senior Management (save for Johannes Lo) has been allocated between 20,000 and 200,000 IPO Shares pursuant to our IPO Shares reserved for Eligible Persons under the Retail Offering. Subject to the clawback and reallocation provisions as set out in Section 4.3.4 of this Prospectus, our Key Senior Management may also subscribe for additional Excess Shares under those allocations for the Eligible Persons as well as for our IPO Shares under the Retail Offering.

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 9.3.3 Involvement of our Key Senior Management in other principal business activities

The involvement of Johannes Lo in any other principal business activities outside our Group as at the LPD are disclosed in Section 9.2.3 of this Prospectus. Save as disclosed below, none of the Key Senior Management is involved in any other principal business activities outside our Group as at the LPD. The following table sets out the principal directorships and shareholdings of our Key Senior Management as at the LPD (“**Present directorships / shareholdings**”) and those which were held within the past 5 years up to the LPD (“**Previous directorships / shareholdings**”), as well as their involvement in principal business activities outside the Group as at the LPD:

#### (i) Datuk Ir. Wong Chung Teck @ George Wong

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present and previous directorships / shareholdings</u>				
Nil	Nil	Nil	Nil	Nil

#### (ii) Chiang Chung Wing @ Edwin Chiang

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present and previous directorships / shareholdings</u>				
Nil	Nil	Nil	Nil	Nil

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)****(iii) Lai Vui Kiong**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present and previous directorships / shareholdings</u>				
Nil	Nil	Nil	Nil	Nil

**(iv) Wong Shing Yee**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present and previous directorships / shareholdings</u>				
Nil	Nil	Nil	Nil	Nil

**(v) Chong Mui Har**

<u>Directorships / Shareholdings</u>	<u>Date of appointment as director / joining as partner</u>	<u>Date of resignation as director / cessation as shareholder</u>	<u>Position held / % of shareholding held</u>	<u>Principal activities</u>
<u>Present directorships / shareholdings</u>				
Nil	Nil	Nil	Nil	Nil

**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

<b>Directorships / Shareholdings</b>	<b>Date of appointment as director / joining as partner</b>	<b>Date of resignation as director / cessation as shareholder</b>	<b>Position held / % of shareholding held</b>	<b>Principal activities</b>
<u>Previous directorships / shareholdings</u>				
Arah Kemajuan Enterprise	17.10.2006	05.07.2024	<ul style="list-style-type: none"> <li>▪ Sole proprietor</li> <li>▪ Shareholder (Direct: 100%)</li> </ul>	Refurbishment of memorial park
Alpha Borneo Sdn Bhd	09.08.2018	07.08.2023 (as director and shareholder)	<ul style="list-style-type: none"> <li>▪ Director</li> <li>▪ Shareholder (Direct: 5%)</li> </ul>	<ol style="list-style-type: none"> <li>1. Building and housing development;</li> <li>2. Civil engineering works</li> </ol>
YF Christy Sdn Bhd	17.12.2021	01.08.2023	<ul style="list-style-type: none"> <li>▪ Director</li> </ul>	Property investment
Euro Modern Sdn Bhd	04.01.2022	01.08.2023	<ul style="list-style-type: none"> <li>▪ Director</li> </ul>	Buying, selling, renting and operating of self-owned or leased rental estate – non residential buildings
Syarikat S.L. Transport	06.10.2021	17.07.2023 (as director and shareholder)	<ul style="list-style-type: none"> <li>▪ Sole proprietor</li> <li>▪ Shareholder (Direct: 100%)</li> </ul>	Goods transportation service

## 9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

### 9.3.4 Key Senior Management remuneration and material benefits-in-kind

The aggregate remuneration and material benefits-in-kind (including any contingent or deferred remuneration) paid and proposed to be paid to our Key Senior Management for services rendered in all capacities to our Group for FYE 2023 and estimated for FYE 2024 are as follows:

<u>Name</u>	<u>Designation</u>	<u>FYE 2023 (Actual) (RM'000)</u>	<u>FYE 2024 (Estimate) (RM'000)</u>
Datuk Ir. Wong Chung Teck @ George Wong	Head of Projects	600 – 650	600 – 650
Chiang Chung Wing @ Edwin Chiang	Head of Procurement	150 – 200	150 – 200
Lai Vui Kiong	Head of Corporate Affairs and Finance	150 – 200	150 – 200
Wong Shing Yee	Head of Accounts	100 – 150	100 – 150
Chong Mui Har	Head of HR and Administration	150 – 200	150 – 200

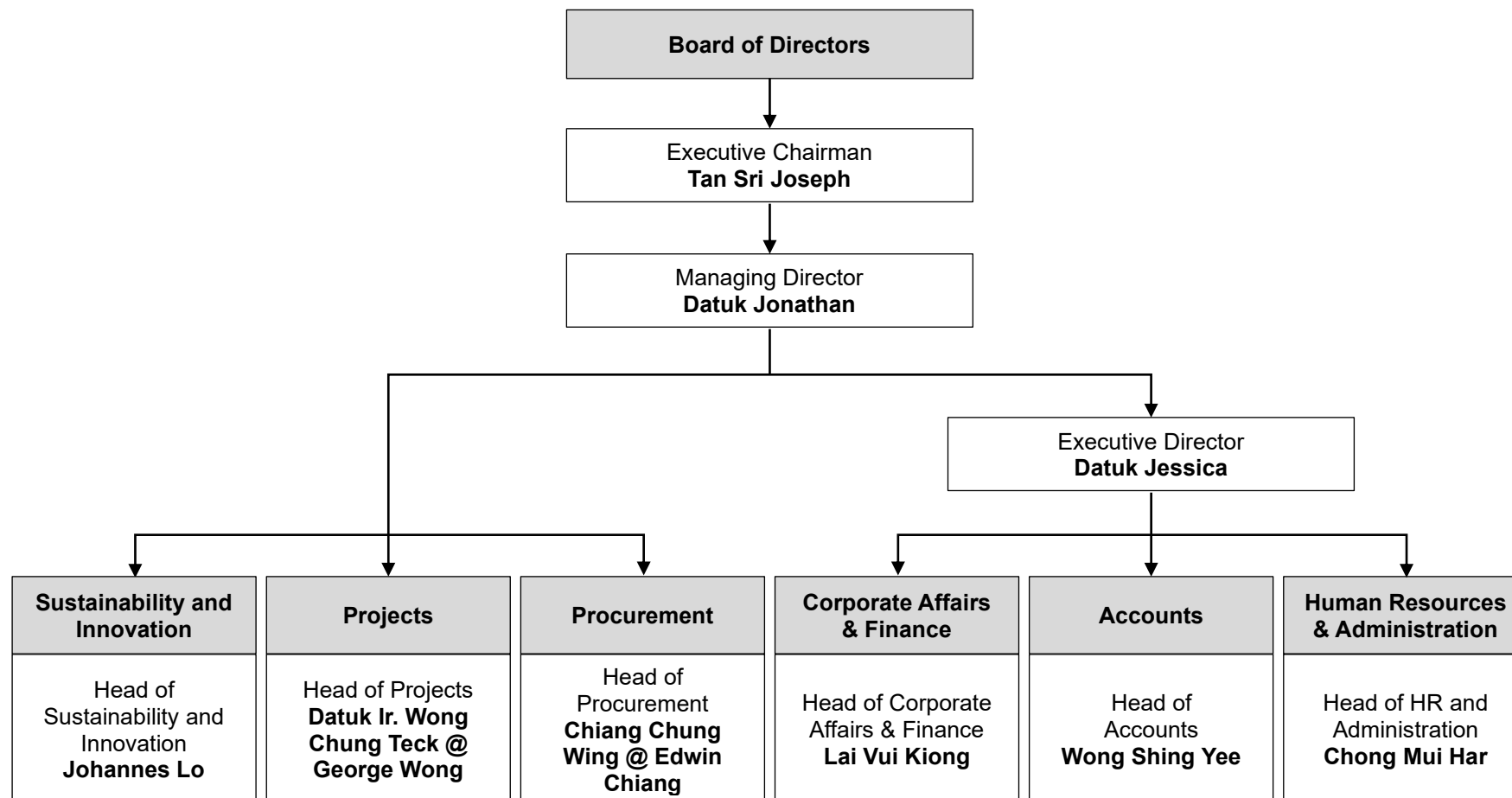
The above remuneration comprises salaries, bonuses, allowances and benefits-in-kind (if any) must be considered and recommended by our Remuneration Committee and subsequently approved by our Board.

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**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

**9.3.5 Management reporting structure**

Our management reporting structure is as follows:



## **9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

### **9.4 DECLARATION BY OUR PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT**

Our Promoters, Directors and Key Senior Management have confirmed that, as at the LPD, he or she is not and has not been involved in any of the following events (whether in or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against him/her or any partnership in which he/she was a partner or any corporation of which he/she was a director or member of key senior management;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgement entered against him/her, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his/her part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his/her part that relates to the capital market;
- (vi) the subject of any order, judgement or ruling of any court, government or regulatory authority or body temporarily enjoining him/her from engaging in any type of business practice or activity;
- (vii) in the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and
- (viii) any unsatisfied judgement against him/her.

### **9.5 ASSOCIATIONS OR FAMILY RELATIONSHIPS BETWEEN OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT**

Save as disclosed below, there are no associations or family relationships between any of our Promoters, Substantial Shareholders, Directors and Key Senior Management as at the LPD:

- (i) Tan Sri Joseph is the father of Datuk Jonathan, Datuk Jessica, Johannes Lo, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii;
- (ii) Datuk Jonathan, Datuk Jessica, Johannes Lo, Lo Vun Yee @ Josephine Lo, Lo Vun Jiun and Jacqueline Lo Ker Jack and Joanna Lo Vun Shii are siblings;
- (iii) Datuk Jonathan is the sole director and sole shareholder of Lokah Fortune; and
- (iv) Datuk Ir. Wong Chung Teck @ George Wong is the father of Wong Shing Yee.



**9. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)**

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**9.6 SERVICE AGREEMENTS**

As at the LPD, there are no existing or proposed service agreements between our Group and our Directors or Key Senior Management which provide for benefits upon termination of employment.

**9.7 OTHER MATTERS**

No amount has been paid or benefit given within the 2 years preceding the date of this Prospectus, nor are intended to be paid or given to our Promoters or Substantial Shareholders except for the following:

- (i) remunerations and benefits-in-kind paid to our Promoters and persons connected to them who are employees in the course of their employment as set out in Section 9.1.4 of this Prospectus; and
- (ii) dividends paid to our shareholders.

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## 10. RELATED PARTY TRANSACTIONS

### 10.1 OUR GROUP'S RELATED PARTY TRANSACTIONS

#### 10.1.1 Material related party transactions

Save as disclosed below, there are no other material related party transactions entered into by our Group which involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the Period under Review and up to the LPD:

#### (i) Our Group and Sense Power Sdn Bhd ("Sense Power")

Datuk Jessica is our Director. During the Period under Review, Datuk Jessica was a director and shareholder of Sense Power with a direct equity interest of 100% from 31 January 2020 until 30 June 2022, whereby she ceased to be a shareholder and she resigned as its director. Following this, Sense Power ceased to be a related party of our Group.

Nature of transaction	Transaction value			
	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FYE 2023 (RM'000)	Between 1 January 2024 and the LPD (RM'000)
▪ Appointment by Kolopis Jaya of Sense Power as a subcontractor <sup>(1)</sup>	1,314 (represents 0.81% of our cost of sales)	5,071 (represents 2.46% of our cost of sales)	-	-
▪ Appointment by AJ Properties of Sense Power as a subcontractor <sup>(2)</sup>	8,898 (represents 5.51% of our cost of sales)	6,000 (represents 2.91% of our cost of sales)	-	-
▪ Appointment by Pembinaan AJ of Sense Power as a subcontractor <sup>(3)</sup>	-	2,088 (represents 1.01% of our cost of sales)	-	-

#### Notes:

(1) Kolopis Jaya had, vide letters of award dated 29 January 2020, 18 December 2020 and 28 January 2021, appointed Sense Power as a subcontractor in respect of the Pan Borneo Highway (WP06) Project for the provision of drainage works, construction and maintenance of the vehicular box culvert as well as street lighting works. All 3 letters of award were mutually terminated by the parties effective from 30 June 2022 and Kolopis Jaya took over to complete the remaining works.

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

- (2) AJ Properties had, vide letters of award dated 23 January 2020 and 4 September 2020, appointed Sense Power as a subcontractor in respect of the Jalan UMS Upgrading Project for the provision of relocation works for Jabatan Air Negeri Sabah and street lighting works. Both letters of award were mutually terminated by the parties effective from 30 June 2022 and AJ Properties took over to complete the remaining works.
- (3) Pembinaan AJ had, vide letter of award dated 10 July 2020, appointed Sense Power as a subcontractor in respect of the Pan Borneo Highway (WP06) Project for the relocation of electrical services. Both letters of award were mutually terminated by the parties effective from 30 June 2022 and a third-party subcontractor was appointed to complete the remaining works.

Sense Power was originally set up by our Promoters to serve as a subcontractor of the Group which was intended to undertake building construction, engineering works and electrical installation. However, following the commencement of the Listing exercise, the Promoters had decided to cease the use of Sense Power as a subcontractor and has terminated the subcontract agreements between the Group and Sense Power and sold off the company.

**(ii) Our Group and Tamawang Sdn Bhd (“Tamawang”)**

Tan Sri Joseph and Datuk Jonathan are our Directors and Substantial Shareholders while Johannes Lo is the Alternate Director to Tan Sri Joseph and our Head of Sustainability and Innovation and Substantial Shareholder. Lo Vun Jiun is the daughter of Tan Sri Joseph and a Substantial Shareholder.

During the Period under Review, Johannes Lo and Lo Vun Jiun’s spouse, Moi Chee Kiong, were directors and shareholders of Tamawang with direct equity interests of 40% and 40% respectively while Tan Sri Joseph was the shareholder of Tamawang with direct equity interest of 20%. Both Johannes Lo and Moi Chee Kong resigned as the directors of Tamawang on 30 August 2022. Johannes Lo, Moi Chee Kong and Tan Sri Joseph also ceased to be shareholders of Tamawang on 5 September 2022. Following this, Tamawang ceased to be a related party of our Group.

Nature of transaction	Transaction value			Between 1 January 2024 and the LPD (RM'000)
	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FYE 2023 (RM'000)	
▪ Appointment by Kolopis Jaya of Tamawang as a subcontractor <sup>(1)</sup>	2,400 (represents 1.49% of our cost of sales)	-	-	-

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

Nature of transaction	Transaction value			
	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FYE 2023 (RM'000)	Between 1 January 2024 and the LPD (RM'000)
▪ Appointment by AJ Land of Tamawang as a subcontractor <sup>(2)</sup>	4,937 (represents 3.06% of our cost of sales)	-	-	-

**Notes:**

- (1) Kolopis Jaya had, vide letters of award dated 29 January 2020 and 28 December 2020, appointed Tamawang Sdn Bhd as a subcontractor in respect of the Pan Borneo Highway (WP06) Project for the provision drainage works, temporary traffic management, implementation of erosion and sediment control plan (i.e. to construct, implement and manage all the silt fence, silt trap and sediment basin), maintenance works as well as demolition works. Both letters of award were mutually terminated by the parties effective from 30 June 2022 and Kolopis Jaya took over to complete the remaining works.
- (2) AJ Land had, vide letter of award dated 3 January 2017, appointed Tamawang Sdn Bhd as a subcontractor in respect of "The Factory @ Inanam" project for the provision of piling and building works, infrastructure and external works and mechanical and electrical works which was completed in 2021.

Tamawang was originally set up by our Promoters to serve as a subcontractor of the Group which was intended to undertake civil engineering and construction works. However, following the commencement of the Listing exercise, the Promoters had decided to cease the use of Tamawang as a subcontractor and has terminated the subcontract agreements between the Group and Tamawang and sold off the company.

**(iii) Our Group and Megaworld Synergy Sdn Bhd ("Megaworld Synergy")**

Tan Sri Joseph, Datuk Jonathan and Datuk Jessica are our Directors and Substantial Shareholders while Johannes Lo is the Alternate Director to Tan Sri Joseph, our Head of Sustainability and Innovation and Substantial Shareholder.

Datuk Jonathan and Johannes Lo are directors and shareholders of Megaworld Synergy with direct equity interests of 30% and 20% respectively while Tan Sri Joseph and Datuk Jessica are shareholders of Megaworld Synergy with direct equity interests of 40% and 10% respectively. On 13 May 2024, Tan Sri Joseph had transferred his 40% equity interest in Megaworld Synergy to Datuk Jonathan.

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

Nature of transaction	Transaction value			Between 1 January 2024 and the LPD (RM'000)
	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FYE 2023 (RM'000)	
▪ Appointment by AJ Properties of Megaworld Synergy as a subcontractor <sup>(1)</sup>	17,805 (represents 11.02% of our cost of sales)	14,410 (represents 6.99% of our cost of sales)	878 (represents 0.43% of our cost of sales)	-

**Notes:**

(1) AJ Properties had, vide a letter of award dated 24 September 2018, appointed Megaworld Synergy as a subcontractor in respect of the Jalan UMS Upgrading Project for the provision of structural works which has been completed as at the LPD.

Megaworld Synergy was originally set up by the Promoters to undertake the fabrication of supply precast concrete components as the Jalan UMS Upgrading Project required specialised concrete components in its construction. Following the completion of the subcontract agreement between AJ Properties and Megaworld Synergy, this company is inactive and remains inactive as at the LPD.

**(iv) Our Group and Jayawanto Sdn Bhd (“Jayawanto”)**

Tan Sri Joseph, Datuk Jonathan and Datuk Jessica are our Directors and Substantial Shareholders while Johannes Lo is the Alternate Director to Tan Sri Joseph, our Head of Sustainability and Innovation and Substantial Shareholder. Lo Vun Yee @ Josephine Lo, Lo Vun Jiun and Jacqueline Lo Ker Jack and Joanna Lo Vun Shii are our Substantial Shareholders.

Tan Sri Joseph is a director of Jayawanto while Datuk Jonathan, Datuk Jessica and Johannes Lo are directors and shareholders of Jayawanto with direct equity interests of 20%, 12% and 20% respectively. Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii are shareholders of Jayawanto with direct equity interests of 12% each.

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

Nature of transaction	Transaction value			
	FYE 2021 (RM'000)	FYE 2022 (RM'000)	FYE 2023 (RM'000)	Between 1 January 2024 and the LPD (RM'000)
▪ Rental payable by AJ Properties to Jayawanto in respect of the rental of office space <sup>(1)</sup>	120 (represents 0.62% of our administrative expenses)	120 (represents 0.37% of our administrative expenses)	120 (represents 0.38% of our administrative expenses)	65 (represents 0.30% of our administrative expenses)
▪ Rental payable by Pembinaan AJ to Jayawanto in respect of the rental of office space <sup>(2)</sup>	90 (represents 0.46% of our administrative expenses)	90 (represents 0.28% of our administrative expenses)	68 (represents 0.21% of our administrative expenses)	-
▪ Rental payable by AJ Land to Jayawanto in respect of the rental of a shoplots <sup>(3)</sup>	60 (represents 0.31% of our administrative expenses)	60 (represents 0.19% of our administrative expenses)	60 (represents 0.19% of our administrative expenses)	60 (represents 0.27% of our administrative expenses)

**Notes:**

(1) During the Period under Review and up to the LPD, AJ Properties had rented office space from Jayawanto. As at the LPD, AJ Properties continues to rent the following office space from Jayawanto:

- (i) The ground floor, 1<sup>st</sup> floor and 2<sup>nd</sup> floor of a 3 storey shop office located at No. 7, Kolam Centre, Off Jalan Lintas, Luyang 88300 Kota Kinabalu, Sabah for use as our Group's corporate office. From 1 January 2020 to 31 December 2023, AJ Properties and Jayawanto had entered into a tenancy agreement dated 1 January 2020 at the monthly rental of RM6,000. As at the LPD, AJ Properties continues to rent the shoplots from Jayawanto for a term of 3 years commencing 1 January 2024 to 31 December 2026 pursuant to a subsequent renewal tenancy agreement dated 1 January 2024 between Jayawanto (as landlord) and AJ Properties (as tenant). The monthly rental is RM9,000.

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

- (ii) The 1<sup>st</sup> and 2<sup>nd</sup> floor of a 3 storey shop office building located at No. 9, Kolam Centre, Off Jalan Lintas, Luyang, 88300 Kota Kinabalu, Sabah for use as our Group's corporate office. From 1 January 2019 to 31 December 2022, AJ Properties and Jayawanto had entered into a tenancy agreement dated 31 December 2018 at the monthly rental of RM4,000. As at the LPD, AJ Properties continues to rent the shoplot from Jayawanto for a term of 3 years commencing from 1 January 2023 to 31 December 2025 pursuant to a subsequent renewal tenancy agreement dated 1 December 2022 between Jayawanto Sdn Bhd (as landlord) and AJ Properties (as tenant). The monthly rental is RM4,000.

For both tenancies above, Jayawanto shall be entitled to terminate the tenancy agreement in the event amongst others that:

- (a) the rental shall be in arrears;
- (b) there is breach or non-observance by AJ Properties of its covenant;
- (c) AJ Properties become bankrupt or enter into any composition with its creditors or suffer distress; or
- (d) AJ Properties suffers any distress or execution to be levied on its goods.

Notwithstanding to the aforesaid, either party may prior to the expiration of the said term terminate the tenancy agreement by providing a prior 3 months written notice.

(2) During the Period under Review, Pembinaan AJ had rented office space from Jayawanto.

- (i) The 2<sup>nd</sup> and 3<sup>rd</sup> floor of a 4 storey shop office building located at Lot 18, Block C, Heritage Plaza, Ruang Plaza Lagenda 1, Off Jalan Lintas, 88300 Kota Kinabalu, Sabah for use as our Group's storage facility. The rental of office space is for a term of 5 years commencing from 1 August 2020 to 31 July 2025 pursuant to a tenancy agreement dated 1 October 2020 between Jayawanto (as landlord) and Pembinaan AJ (as tenant). The monthly rental is RM5,000.
- (ii) The 2<sup>nd</sup> floor of a 4 storey shop office building located at Lot 19, Block C, Heritage Plaza, Ruang Plaza Lagenda 1, Off Jalan Lintas, 88300 Kota Kinabalu, Sabah for use as our Group's storage facility. The rental of the office space is for a term of 5 years commencing from 1 January 2020 to 31 December 2025 pursuant to a tenancy agreement dated 1 January 2020 between Jayawanto (as landlord) and Pembinaan AJ (as tenant). The monthly rental is RM2,500.

On 30 September 2023, Pembinaan AJ had terminated the above-mentioned tenancy agreements.

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

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- (3) During the Period under Review and up to the LPD, AJ Land had rented the ground floor of a 3 storey shop office building located at No. 9, Kolam Centre, Off Jalan Lintas, Luyang, 88300 Kota Kinabalu, Sabah from Jayawanto for use as corporate office. From 1 January 2019 to 31 December 2022, AJ Land and Jayawanto had entered into a tenancy agreement dated 31 December 2018 at the monthly rental of RM5,000. As at the LPD, AJ Land continues to rent the shophouse from Jayawanto for a term of 3 years commencing from 1 January 2023 to 31 December 2025 pursuant to a tenancy agreement dated 1 December 2022 between Jayawanto (as landlord) and AJ Land (as tenant). The monthly rental is RM5,000.

Jyawanto shall be entitled to terminate the tenancy agreement in the event amongst others that:

- (a) the rental shall be in arrears;
- (b) there is breach or non-observance by AJ Land of its covenant;
- (c) AJ Land become bankrupt or enter into any composition with its creditors; or
- (d) AJ Land suffers any distress or execution to be levied on its goods.

Notwithstanding to the aforesaid, either party may prior to the expiration of the said term terminate the tenancy agreement by providing a prior 3 months written notice.

Our Directors are of the opinion that all the related party transactions listed above were carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties based on the following reasons:

- (i) the appointment of Sense Power, Tamawang and Megaworld Synergy as subcontractors by our Group were based on pricing are generally comparable with those offered by unrelated third-party subcontractors for similar services; and
- (ii) the rental of office space from Jayawanto by our Group were based on rates comparable to similar properties in the vicinity and are based on terms which are commonly adopted in tenancy arrangements of a similar nature with third parties.

Our Directors also confirm that there are no other material related party transactions that have been entered by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them but not yet effected up to the date of this Prospectus.



## 10. RELATED PARTY TRANSACTIONS (CONT'D)

After our Listing and in accordance with the Listing Requirements, our Company will be required to seek our shareholders' approval each time our Company enters into a material related party transaction. However, if the related party transactions can be deemed as recurrent related party transactions, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time it wishes to enter into such recurrent related party transactions during the validity period of the mandate.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, among others, supervise and monitor any related party transactions and the terms thereof and report to our Board for further action. When necessary, our Board will make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, the Directors and Substantial Shareholders, and/or persons connected with them which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Director and/or Substantial Shareholder will also undertake to ensure that the person connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

### 10.1.2 Transactions entered into that are unusual in their nature or conditions

There were no transactions entered into that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets to which we or any of our subsidiaries were a party to in respect of the Period under Review and up to the LPD and for the subsequent financial period immediately preceding the date of this Prospectus.

### 10.1.3 Loans made to or for the benefit of related parties

Save as disclosed below, there are no outstanding advances and/or loans made by us to or for the benefit of the related parties for the Period under Review and up to the LPD.

No.	Related party	Relationship	Nature of transaction and purpose	Outstanding balance			
				As at 31 December			As at the LPD
				2021	2022	2023	
(RM)	(RM)	(RM)	(RM)				
1.	Tan Sri Joseph	Tan Sri Joseph is our Director and Substantial Shareholder	Advances to our Director for personal use	-	1,929,000	-	-

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

No.	Related party	Relationship	Nature of transaction and purpose	Outstanding balance			
				As at 31 December			As at the LPD
				2021 (RM)	2022 (RM)	2023 (RM)	
2.	Datin Wendy Yap Kah Shuin ("Datin Wendy")	Datin Wendy is the spouse of Datuk Jonathan, our Director and Substantial Shareholder	Advances to a related party of our Director for personal use	1,000,000	-	-	-
3.	Realworth Marketing Sdn Bhd ("Realworth Marketing")	Tan Sri Joseph is a director of Realworth Marketing while Datuk Jonathan, Datuk Jessica and Johannes Lo are directors and shareholders of Realworth Marketing with direct equity interests of 20%, 12% and 20% respectively. Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii are shareholders of Realworth Marketing with direct equity interests of 12% each.  Tan Sri Joseph, Datuk Jonathan and Datuk Jessica are our Directors and Substantial Shareholders while Johannes Lo is the Alternate Director to Tan Sri Joseph, our Head of Sustainability and Innovation and Substantial Shareholder. Lo Vun Yee @ Josephine Lo, Lo Vun Jiun and Jacqueline Lo Ker Jack and Joanna Lo Vun Shii are our Substantial Shareholders.	Advances to a related party of our Directors for purchase of properties	28,262,439	10,382,707	-	-

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Related party	Relationship	Nature of transaction and purpose	Outstanding balance			
				As at 31 December			As at the LPD
				2021 (RM)	2022 (RM)	2023 (RM)	
4.	Sense Power	Datuk Jessica is our Director. During the Period under Review, Datuk Jessica was a director and shareholder of Sense Power with a direct equity interest of 100% from 31 January 2020 until 30 June 2022, whereby she ceased to be a shareholder and she resigned as its director. Following this, Sense Power ceased to be a related party of our Group.	<ul style="list-style-type: none"> <li>Advances to a related party of our Director for subcontractor works</li> <li>Recoverable expenses paid by our Group on behalf of Sense Power relating to purchase of raw materials<sup>(1)</sup></li> </ul>	4,617,617	-	-	-
5.	Tamawang	<p>Tan Sri Joseph and Datuk Jonathan are our Directors and Substantial Shareholders while Johannes Lo is the Alternate Director to Tan Sri Joseph and our Head of Sustainability and Innovation and Substantial Shareholder. Lo Vun Jiun is the daughter of Tan Sri Joseph and a Substantial Shareholder.</p> <p>Johannes Lo and Lo Vun Jiun's spouse, Moi Chee Kiong, were directors and shareholders of Tamawang with direct equity interests of 40% and 40% respectively while Tan Sri Joseph was the shareholder of Tamawang with direct equity interest of 20%. Both Johannes Lo and Moi Chee Kong also resigned as the directors of Tamawang on 30 August 2022. Johannes Lo, Moi Chee Kong and Tan Sri Joseph also ceased to be shareholders of Tamawang on 5 September 2022. Following this, Tamawang ceased to be a related party of our Group.</p>	<ul style="list-style-type: none"> <li>Advances to a related party of our Director for subcontractor works</li> <li>Recoverable expenses paid by our Group on behalf of Tamawang relating to purchase of raw materials<sup>(1)</sup></li> </ul>	-	1,270,000	-	-
				20,560	-	-	-

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Related party	Relationship	Nature of transaction and purpose	Outstanding balance			
				As at 31 December			As at the LPD
				2021 (RM)	2022 (RM)	2023 (RM)	
6.	Megaworld Synergy	<p>Tan Sri Joseph, Datuk Jonathan and Datuk Jessica are our Directors and Substantial Shareholders while Johannes Lo is the Alternate Director to Tan Sri Joseph, our Head of Sustainability and Innovation and Substantial Shareholder.</p> <p>Datuk Jonathan and Johannes Lo are directors and shareholders of Megaworld Synergy with direct equity interests of 30% and 20% respectively while Tan Sri Joseph and Datuk Jessica are shareholders of Megaworld Synergy with direct equity interests of 40% and 10% respectively. On 13 May 2024, Tan Sri Joseph had transferred his 40% equity interest in Megaworld Synergy to Datuk Jonathan.</p>	<ul style="list-style-type: none"> <li>▪ Advances to a related party of our Director for subcontractor works</li> <li>▪ Recoverable expenses paid by our Group on behalf of Megaworld Synergy relating to payment of motor vehicle insurance premiums and purchase of raw materials<sup>(1)</sup></li> </ul>	336,655	-	3,526,570	-
				688,951	2,647,650	178,382	12,709

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Related party	Relationship	Nature of transaction and purpose	Outstanding balance			
				As at 31 December			As at the LPD
				2021 (RM)	2022 (RM)	2023 (RM)	
7.	Jayawanto	<p>Tan Sri Joseph, Datuk Jonathan and Datuk Jessica are our Directors and Substantial Shareholders while Johannes Lo is the Alternate Director to Tan Sri Joseph, our Head of Sustainability and Innovation and Substantial Shareholder. Lo Vun Yee @ Josephine Lo, Lo Vun Jiun and Jacqueline Lo Ker Jack and Joanna Lo Vun Shii are our Substantial Shareholders.</p> <p>Tan Sri Joseph is a director of Jayawanto while Datuk Jonathan, Datuk Jessica and Johannes Lo are directors and shareholders of Jayawanto with direct equity interests of 20%, 12% and 20% respectively. Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii are shareholders of Jayawanto with direct equity interests of 12% each.</p>	Advances to a related party of our Directors for purchase of properties	2,250,000	-	-	-
8.	Pembangunan Sinaran Mutiara Sdn Bhd ("PSMSB")	<p>Tan Sri Joseph, Datuk Jonathan and Datuk Jessica are our Directors and Substantial Shareholders while Johannes Lo is the Alternate Director to Tan Sri Joseph and our Head of Sustainability and Innovation and Substantial Shareholder.</p> <p>Tan Sri Joseph and Datuk Jonathan are directors and shareholders in PSMSB with direct equity interests of 30% and 70% respectively. Datuk Jessica and Johannes Lo are directors of PSMSB.</p>	<ul style="list-style-type: none"> <li>▪ Advances to a related party of our Directors for working capital</li> <li>▪ Recoverable expenses paid by our Group on behalf of PSMSB relating to payment of motor vehicle insurance premiums</li> </ul>	1,830,000	-	-	-
				1,680	-	-	-

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

No.	Related party	Relationship	Nature of transaction and purpose	Outstanding balance			
				As at 31 December			As at the LPD
				2021 (RM)	2022 (RM)	2023 (RM)	
9.	Borneo Nabal Builders Sdn Bhd (“ <b>BNBSB</b> ”)	Datin Wendy is the spouse of Datuk Jonathan, our Director and Substantial Shareholder. Datin Wendy is a director and shareholder of BNBSB.	Recoverable expenses paid by our Group on behalf of BNBSB relating to payment of motor vehicle insurance premiums	29,683	6,659	9,497	-
10.	Bunga Tetap Sdn Bhd (“ <b>BTSB</b> ”)	Lo Yun Yee @ Josephine Lo is our Substantial Shareholder. Lo Yun Yee @ Josephine Lo is a director and shareholder of BTSB.	Recoverable expenses paid by our Group on behalf of BTSB relating to payment of motor vehicle insurance premiums	1,745	-	-	-
11.	Yun Foh Enterprise (S) Sdn Bhd (“ <b>Yun Foh</b> ”)	Tan Sri Joseph and Datuk Jonathan are our Directors and Substantial Shareholders. Tan Sri Joseph and Datuk Jonathan are directors and shareholders in Yun Foh with direct equity interests of 50% each.	Recoverable expenses paid by our Group on behalf of Yun Foh relating to payment of motor vehicle insurance premiums	310	-	-	-
12.	Zaramo Engineering Sdn Bhd (“ <b>Zaramo</b> ”)	Datuk Jonathan is our Director and Substantial Shareholder. Datuk Jonathan was a director and shareholder of Zaramo with a direct equity interest of 60%.	<ul style="list-style-type: none"> <li>▪ Advances to a related party of our Director for working capital</li> <li>▪ Less: Allowance for expected credit losses<sup>(1)</sup></li> </ul>	157,632 (157,632)	157,632 (157,632)	- -	- -

**Notes:**

- (1) The purchases of raw materials on behalf of our Group’s subcontractors are to ensure that the materials used in construction complies with our client’s requirement, these expenses will eventually be offset against any future payment to the subcontractors for work performed.
- (2) Zaramo was dissolved on 13 November 2020.

## 10. RELATED PARTY TRANSACTIONS (CONT'D)

The above balances as at the end of respective FYEs are unsecured, interest free and receivable/payable on demand.

The advances to Sense Power, Tamawang and Megaworld Synergy were carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties as such advances were provided in relation to their appointment as subcontractors to our Group, and are generally comparable with those offered to unrelated third party subcontractors. The advances to the related parties above and other third party subcontractors are unsecured, interest free and payable on demand and will be deducted from their certified claims submitted for work done.

The advances to Tan Sri Joseph, Datin Wendy, Realworth Marketing, Jayawanto, PSMSB and Zaramo were not on normal commercial terms and not on an arm's length basis as no fee was charged by our Group for such advances. Further to our Listing, our Group does not intend to provide such advances to any related parties in the future. As at 21 June 2024, all of these amounts have been fully repaid.

### 10.1.4 Financial assistance provided for the benefit of related parties

There is no other financial assistance given by us to or for the benefit of related parties for the Period under Review and up to the LPD save for corporate guarantees provided by Pembinaan AJ for the benefit of Yun Foh, Megaworld Synergy and Jayawanto in respect of banking facilities amounting to RM1.26 million, RM8.00 million and RM3.74 million respectively granted by Public Islamic Bank Bhd and United Overseas Bank (M) Bhd. As at the LPD, the corporate guarantees are in the midst of being discharged.

### 10.1.5 Provision of guarantees by our Substantial Shareholders for the banking facilities granted to our Group

Our Promoters, Tan Sri Joseph, Datuk Jonathan, Datuk Jessica and Johannes Lo have either personally, jointly and severally provided personal guarantees for the banking facilities extended by Affin Bank Berhad, Ambank (M) Berhad, Ambank Islamic Berhad, BMW Group Financial Services Sdn Bhd, Caterpillar Financial Services Malaysia Sdn Bhd, CIMB Bank Berhad, CIMB Islamic Bank Berhad, Hap Seng Credit Sdn Bhd, Malayan Banking Berhad, Maybank Islamic Berhad, MBSB Bank, Mitsubishi HC Capital Malaysia Sdn Bhd, Orix Credit Malaysia Sdn Bhd, Pac Lease Berhad, RHB Bank Berhad, SMFL Hire Purchase (Malaysia) Sdn Bhd and United Overseas Bank (Malaysia) Bhd ("**Financiers**") to our Group whereby the amount of facilities outstanding as at the LPD is approximately RM162.54 million.

We have applied to the Financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, Tan Sri Joseph, Datuk Jonathan, Datuk Jessica and Johannes Lo will continue to guarantee the banking facilities extended to our Group.

## 10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

### 10.2.1 Audit and Risk Management Committee review

Our Audit and Risk Management Committee reviews related party transactions to ensure no conflicts of interest arise within our Company or our Group. The Audit Committee reviews the procedures set by our Company to monitor related party transactions to ensure the integrity of these transactions, procedures or course of

**10. RELATED PARTY TRANSACTIONS (CONT'D)**

conducts. In reviewing the related party transactions, the following, amongst other things will be considered:

- (i) the rationale and the cost/benefit to our Group is first considered;
- (ii) where possible, comparative quotes will be taken into consideration;
- (iii) that the transactions are carried out on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties; and
- (iv) that the transactions are not detrimental to our Company's non-interested shareholders.

All reviews by our Audit and Risk Management Committee are reported to our Board for its further action.

**10.2.2 Our Group's policy on related party transactions**

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions in view that such transactions would involve engaging with such related party as a customer or supplier. As disclosed in this Prospectus, some of our Directors and/or major shareholders are also directors and in some cases, shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. It is the policy of our Group that all related party transactions shall be reviewed by the Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of the Group, on arm's length basis and are based on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situations and intend for the framework to be guided by the Listing Requirements and the MCCG upon our Listing. The procedures which may form part of the framework include, among others, the following:

- (i) our Board shall ensure that majority of our Board members are independent directors and will undertake an annual assessment of our Independent Directors;
- (ii) our Directors will be required to declare any direct or indirect interest that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transaction; and
- (iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment who would in turn, make a recommendation to our Board.



## 11. CONFLICTS OF INTEREST

### 11.1 INTEREST IN BUSINESSES WHICH CARRY ON A SIMILAR TRADE AS OUR GROUP OR WHICH ARE OUR CUSTOMERS AND SUPPLIERS

Save as disclosed below, as at the LPD, none of our Directors and/or Substantial Shareholders have any interest, direct or indirect, in other businesses or corporations which are carrying on a similar trade as that of our Group or which are customers or suppliers of our Group:

<b>Business / Corporation</b>	<b>Nature</b>	<b>Principal activities</b>	<b>Nature of interest</b>
Jayawanto Sdn Bhd	Our supplier	Property for rental	Tan Sri Joseph, Datuk Jonathan and Datuk Jessica are our Directors and Substantial Shareholders. Johannes Lo is the Alternate Director to Tan Sri Joseph, our Head of Sustainability and Innovation and Substantial Shareholder. Lo Vun Yee @ Josephine Lo, Lo Vun Jiun and Jacqueline Lo Ker Jack and Joanna Lo Vun Shii are our Substantial Shareholders.

Tan Sri Joseph is a director of Jayawanto Sdn Bhd. Datuk Jonathan, Datuk Jessica and Johannes Lo are directors and shareholders of Jayawanto Sdn Bhd while Lo Vun Yee @ Josephine Lo, Lo Vun Jiun, Jacqueline Lo Ker Jack and Joanna Lo Vun Shii are shareholders of Jayawanto Sdn Bhd.

Our Board is of the view that the interests of our Directors and Substantial Shareholders in Jayawanto Sdn Bhd do not give rise to a conflict of interest situation after taking into consideration the following:

- (i) Jayawanto Sdn Bhd is involved in owning property for rental. As at the LPD, we rent properties from Jayawanto Sdn Bhd consisting of 6 units of shop office located in Kota Kinabalu, Sabah for use as our corporate office;
- (ii) the properties rented from Jayawanto Sdn Bhd are arrived at on an arm's length basis and on normal commercial terms which are not unfavourable to our Group but comparable to those generally available to third parties based on rental rates which were comparable against rental rates offered by third parties for similar properties within the vicinity; and
- (iii) although Tan Sri Joseph, Datuk Jonathan, Datuk Jessica and Johannes Lo are directors of Jayawanto Sdn Bhd, the ownership of properties by Jayawanto Sdn Bhd is a passive investment and does not require day-to-day management, time or attention on the part of its directors.

In addition, certain of our Directors and Substantial Shareholders have interests in property development companies, namely Pembangunan Sinaran Mutiara Sdn Bhd ("**PSMSB**") and AJD Sdn Bhd (formerly known as Azam Jaya Development Sdn Bhd) ("**AJDSB**") which our Group was also involved in property development activities in the past. However, our Board is of the view that this is not expected to have any potential conflict of interest situation in view of the following:

- (i) our Group is principally involved in the provision of construction services;
- (ii) the property development project previously undertaken by our Group was one-off in nature and our Group does not intend to undertake any property development projects in the future;

**11. CONFLICTS OF INTEREST (CONT'D)**

- (iii) PSMSB had undertaken a one-off property development project which was completed in 2022 and as at the LPD, does not own any landbanks. PSMSB does not intend to undertake any property development projects in the future; and
- (iv) AJDSB was incorporated with the intention to undertake property development activities but has been inactive since incorporation and as at the LPD, does not own any landbank. AJDSB does not intend to undertake any property development projects in the future.

Notwithstanding the above, following our Listing, our Directors and/or Substantial Shareholders will be required to disclose any potential conflicts of interest situations to our Audit and Risk Management Committee as and when they arise and to abstain on deliberation in respect of transactions in which they have an interest which require the deliberation or approval of our Board, including on matters relating to Jayawanto Sdn Bhd. Our Audit and Risk Management Committee will review such situations whenever declared or brought to their attention and resolve or mitigate any such conflicts of interest situations, in the best interests of our Group.

**11.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST****11.2.1 Interpac**

Interpac has confirmed that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sole Underwriter and Sole Placement Agent to our Group in respect of our IPO.

**11.2.2 Sierac Corporate Advisers Sdn Bhd**

Sierac Corporate Advisers Sdn Bhd has confirmed that there is no existing or potential conflict of interest in its capacity as the Financial Adviser to our Group in respect of our IPO. Its scope as Financial Adviser includes among others, the following:

- (i) to jointly advise with Interpac on our Group's restructuring, equity and corporate structure in preparation for our IPO;
- (ii) to jointly advise with Interpac on the listing scheme including the offering structure, IPO pricing and valuation in relation to our IPO;
- (iii) to participate as a member of the due diligence working group for the purpose of due diligence exercise as required for our IPO;
- (iv) to assist our Group in reviewing the management discussion and analysis on the financial position and results of operations of our Group for the Period under Review;
- (v) to assist our Group in compiling information and documents for our IPO;
- (vi) to assist in reviewing this Prospectus and submission documents to the relevant authorities and other agencies or bodies in respect of our IPO and Listing;
- (vii) to assist in reviewing other relevant public documents prepared by the relevant advisers in relation to our IPO;
- (viii) to assist our Group and Interpac together with the public relations company in our public relations exercise in relation to our Listing on the Main Market, which may include analyst briefings and interviews;

**11. CONFLICTS OF INTEREST (CONT'D)**

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- (ix) to liaise with all professional advisers involved in our IPO; and
- (x) to attend to general matters incidental to our IPO.

**11.2.3 David Lai & Tan**

David Lai & Tan has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors to our Group in respect of our IPO.

**11.2.4 Russell Bedford LC PLT**

Russell Bedford LC PLT has confirmed that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants to our Group in respect of our IPO.

**11.2.5 Infobusiness**

Infobusiness has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher to our Group in respect of our IPO.

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

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### **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 [•].

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:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Revenue	231,457	296,838	280,766
Cost of sales	(161,529)	(206,044)	(203,188)
<b>GP</b>	<b>69,928</b>	<b>90,794</b>	<b>77,578</b>
Other operating income	1,774	1,332	1,141
Administrative expenses	(19,495)	(32,011)	(31,735)
Allowance for expected credit losses	-	(4,264)	-
<b>Profit from operations</b>	<b>52,207</b>	<b>55,851</b>	<b>46,984</b>
Finance income	138	448	866
Finance costs	(6,318)	(10,315)	(9,284)
<b>PBT</b>	<b>46,027</b>	<b>45,984</b>	<b>38,566</b>
Income tax expense	(11,837)	(14,270)	(12,583)
<b>PAT / Total comprehensive income for the financial year</b>	<b>34,190</b>	<b>31,714</b>	<b>25,983</b>
<b>PAT / Total comprehensive income attributable to:</b>			
- Owners of the Company	34,142	31,691	25,983
- Non-controlling interests	48	23	-
	<b>34,190</b>	<b>31,714</b>	<b>25,983</b>
EBITDA <sup>(1)</sup>	61,229	65,671	57,609
GP margin <sup>(2)</sup> (%)	30.21	30.59	27.63
EBITDA margin <sup>(3)</sup> (%)	26.45	22.12	20.52
PBT margin <sup>(4)</sup> (%)	19.89	15.49	13.74
PAT margin <sup>(5)</sup> (%)	14.77	10.68	9.25
Basic EPS <sup>(6)</sup> (sen)	8.11	7.52	6.17
Diluted EPS <sup>(7)</sup> (sen)	6.83	6.34	5.20

**Notes:**

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

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
PBT	46,027	45,984	38,566
Add: Finance costs	6,318	10,315	9,284
Add: Depreciation	9,022	9,820	10,625
Less: Finance income	(138)	(448)	(866)
<b>EBITDA</b>	<b>61,229</b>	<b>65,671</b>	<b>57,609</b>

**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 and 31 December 2023:

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

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

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

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

	<u>Unaudited</u> <u>As at 31 May</u> <u>2024</u> <u>(RM'000)</u>	<u>Pro forma</u> <u>After the</u> <u>Public Issue</u> <u>(RM'000)</u>	<u>Pro forma</u> <u>After the use</u> <u>of proceeds</u> <u>(RM'000)</u>
<b>Secured and guaranteed:</b>			
Hire purchase liabilities	12,839	[•]	[•]
Term loans	26,561	[•]	[•]
Trust receipts	27,253	[•]	[•]
Revolving credits	59,981	[•]	[•]
Bank overdrafts	35,903	[•]	[•]
<b>Total indebtedness</b>	<b>162,537</b>	<b>[•]</b>	<b>[•]</b>
<b>Total equity / capitalisation</b>	<b>97,893</b>	<b>[•]</b>	<b>[•]</b>
<b>Gearing ratio<sup>(1)</sup> (times)</b>	<b>1.66</b>	<b>[•]</b>	<b>[•]</b>

**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, we had secured several large scale construction projects, namely, Kota Belud Road Project, Pulau Sebatik Road Project as well as 2 work packages of the Pan Borneo Highway, namely the Pan Borneo Highway (WP12) Project and Pan Borneo Highway (WP13) Project, all of which are ongoing as at the LPD. As at the LPD, our Group is working on 8 ongoing construction projects with an order book of approximately RM1.08 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 RM1.08 billion, which is expected to be recognised for the FYE 2024 to FYE 2027.

#### (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)**

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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 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, 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 and Pan Borneo Highway (WP13) Project. These 2 projects were awarded to our construction partner, 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 contract 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	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Construction	212,040	91.61	289,377	97.49	274,766	97.86
Property development	19,417	8.39	7,461	2.51	6,000	2.14
<b>Total</b>	<b>231,457</b>	<b>100.00</b>	<b>296,838</b>	<b>100.00</b>	<b>280,766</b>	<b>100.00</b>

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	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Pan Borneo Highway (WP06) Project	142,119	61.41	196,984	66.37	185,091	65.92
Jalan UMS Upgrading Project	52,783	22.80	58,946	19.86	68,234	24.30
Jalan Lintas Upgrading Project	17,138	7.40	29,546	9.95	2,092	0.75
Pulau Sebatik Road Project	-	-	2,325	0.78	7,907	2.82
Kota Belud Road Project	-	-	712	0.24	10,231	3.64
DBKK Sewerage Project	-	-	-	-	(1,563)	0.56
Reversal of revenue <sup>(2)</sup>	-	-	-	-	(1,447)	(0.52)
Sale of ready-mixed concrete <sup>(3)</sup>	-	-	864	0.29	1,095	0.39
<b>Total construction revenue</b>	<b>212,040</b>	<b>91.61</b>	<b>289,377</b>	<b>97.49</b>	<b>274,766</b>	<b>97.86</b>

**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**").

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

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 sub-contractors for their use on these projects if requested by our sub-contractors.

**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.

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

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

- 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.

**(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.

**(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.

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

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

**Cost of sales by business segments**

	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>(RM'000)</b>	<b>(%)</b>	<b>(RM'000)</b>	<b>(%)</b>	<b>(RM'000)</b>	<b>(%)</b>
Construction	146,257	90.55	200,114	97.12	197,387	97.15
Property development	15,272	9.45	5,930	2.88	5,801	2.85
<b>Total</b>	<b>161,529</b>	<b>100.00</b>	<b>206,044</b>	<b>100.00</b>	<b>203,188</b>	<b>100.00</b>



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

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

	FYE 2021		FYE 2022		FYE 2023	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Subcontractor costs	96,620	59.82	92,786	45.03	86,365	42.50
Project overhead and related costs	32,775	20.29	36,320	17.63	45,569	22.43
Material costs	12,830	7.94	37,685	18.29	49,819	24.52
Direct labour costs	16,185	10.02	15,805	7.67	14,668	7.22
(Increase)/Decrease in material on site	(15,693)	(9.72)	13,593	6.60	63	0.03
Other construction costs	3,540	2.20	3,548	1.72	766	0.38
Cost of ready-mixed concrete <sup>(1)</sup>	-	-	377	0.18	137	0.07
<b>Total</b>	<b>146,257</b>	<b>90.55</b>	<b>200,114</b>	<b>97.12</b>	<b>197,387</b>	<b>97.15</b>

**Note:**

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

**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;

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

- (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
- (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;

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

- (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;
- (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.

**(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.

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

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		FYE 2022		FYE 2023	
	GP (RM'000)	GP margin (%)	GP (RM'000)	GP margin (%)	GP (RM'000)	GP margin (%)
<b>Construction</b>	<b>65,783</b>	<b>31.02</b>	<b>89,263</b>	<b>30.85</b>	<b>77,379</b>	<b>28.16</b>
<i>Construction contracts</i>	65,783	31.02	88,776	30.77	76,421	27.92
<i>Sale of ready-mixed concrete</i>	-	-	487	56.37	958	87.49
<b>Property development</b>	<b>4,145</b>	<b>21.35</b>	<b>1,531</b>	<b>20.52</b>	<b>199</b>	<b>3.32</b>
<b>Total</b>	<b>69,928</b>	<b>30.21</b>	<b>90,794</b>	<b>30.59</b>	<b>77,578</b>	<b>27.63</b>

As illustrated above, our GP was mainly generated from construction contracts, which contributed 94.07%, 97.77% and 98.51% of our total GP for the Period under Review.

**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.

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

**(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	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Hiring income <sup>(1)</sup>	770	43.40	386	28.98	277	24.28
Administrative charges <sup>(2)</sup>	672	37.88	313	23.50	535	46.89
Wage subsidies <sup>(3)</sup>	139	7.84	-	-	-	-
Gain on disposal of assets	-	-	345	25.90	1	0.09
Other income <sup>(4)</sup>	193	10.88	288	21.62	328	28.74
<b>Total</b>	<b>1,774</b>	<b>100.00</b>	<b>1,332</b>	<b>100.00</b>	<b>1,141</b>	<b>100.00</b>

**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.

**(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>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</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.

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**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	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Staff remuneration	6,089	31.23	9,472	29.59	10,881	34.28
Directors' remuneration	7,381	37.86	9,956	31.10	10,787	33.99
Legal and professional fees <sup>(1)</sup>	1,007	5.17	3,076	9.61	2,507	7.90
Donations and entertainment expenses	759	3.89	2,478	7.74	2,312	7.29
Office expenses	960	4.92	1,078	3.37	540	1.70
Depreciation	957	4.91	1,400	4.37	1,470	4.63
Insurance	390	2.00	681	2.13	700	2.21
Advertising and marketing	245	1.26	130	0.41	101	0.32
Other administrative expenses <sup>(2)</sup>	1,707	8.76	3,740	11.68	2,437	7.68
<b>Total</b>	<b>19,495</b>	<b>100.00</b>	<b>32,011</b>	<b>100.00</b>	<b>31,735</b>	<b>100.00</b>

**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.

**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

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

- (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.

**(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>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Interest income from fixed deposits with licensed banks	138	448	866

**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).



**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	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Interest expenses on:						
- term loan	966	15.29	2,114	20.49	1,673	18.02
- revolving credit	466	7.38	2,582	25.03	1,925	20.73
- bank overdraft	1,644	26.02	2,458	23.83	2,030	21.87
- trust receipts	1,719	27.20	1,809	17.54	2,463	26.53
- hire purchase liabilities	1,272	20.13	1,287	12.48	1,145	12.33
- trade payables <sup>(1)</sup>	178	2.82	11	0.11	3	0.03
- other lease liabilities	73	1.16	54	0.52	45	0.49
<b>Total</b>	<b>6,318</b>	<b>100.00</b>	<b>10,315</b>	<b>100.00</b>	<b>9,284</b>	<b>100.00</b>

**Note:**

- (1) Refers to the late payment fee charged by our trade creditors/hire purchase payables.

**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.

**12. FINANCIAL INFORMATION (CONT'D)****(ix) PBT and PBT margin**

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

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
PBT	46,027	45,984	38,566
PBT margin (%)	19.89	15.49	13.74

**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.

**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.

**(x) Tax expenses**

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

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Income tax expenses			
Current year	8,575	10,508	6,663
Under/(over)-provision in prior years	(270)	118	1,143
	<u>8,305</u>	<u>10,626</u>	<u>7,806</u>
Deferred tax			
Current year	3,954	3,526	4,476
Under/(over)-provision in prior years	(422)	118	300
	<u>3,532</u>	<u>3,644</u>	<u>4,776</u>
<b>Total tax expense</b>	<b><u>11,837</u></b>	<b><u>14,270</u></b>	<b><u>12,582</u></b>
Effective tax rate (%)	25.72	31.03	32.62

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

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

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**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 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.

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**12. FINANCIAL INFORMATION (CONT'D)****12.3.4 Review of financial position****(i) Assets**

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

**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;

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

- (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;
- (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.

**12. FINANCIAL INFORMATION (CONT'D)****(ii) Liabilities**

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
<b>Non-current liabilities</b>			
Term loans	19,541	16,203	23,872
Lease liabilities	11,890	10,760	6,338
Deferred tax liabilities	2,201	5,883	10,621
Trade payables	22,439	25,350	24,147
<b>Total non-current liabilities</b>	<b>56,071</b>	<b>58,196</b>	<b>64,978</b>
<b>Current liabilities</b>			
Trade payables	38,541	33,684	37,289
Other payables and accruals	10,442	14,226	4,476
Dividend payable	-	-	8,557
Contract liabilities	52,690	33,533	18,046
Borrowings	87,259	99,728	103,821
Lease liabilities	12,772	13,573	9,482
Tax payable	9,190	8,230	3,383
<b>Total current liabilities</b>	<b>210,894</b>	<b>202,974</b>	<b>185,054</b>
<b>Total liabilities</b>	<b>266,965</b>	<b>261,170</b>	<b>250,032</b>

**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<sup>(1)</sup> 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;

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

- (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.

**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<sup>(1)</sup> 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.

## 12. FINANCIAL INFORMATION (CONT'D)

### 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.

As at 31 December 2023, our Group has cash and cash equivalents of RM3.26 million and unutilised overdraft facilities and revolving credit lines of RM89.20 million (of which RM21.50 million is available for general use, while the balance is project financing). As at the LPD, we held cash and cash equivalents of approximately RM10.46 million (excluding RM48.07 million which has been pledged for certain of our banking facilities) and unutilised overdraft facilities and revolving credit lines of RM111.75 million (of which RM8.57 million is available for general use, while the balance is project financing).

Based on the above and after taking into consideration our funding requirements for capital expenditure commitments and repayment of borrowings (as set out in Sections 4.6.1 and 4.6.3 of this Prospectus, respectively), expected cash flows from operations, repayment of borrowing with maturity less than 12 months as set out in Section 12.4.3 of the Prospectus and the estimated gross proceeds from the Public Issue of RM[●] million, our Board is of the view that our Group has sufficient working capital for at least 12 months from the date of this Prospectus.

#### 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.

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Net cash from operating activities	2,297	29,423	39,802
Net cash (used in)/from investing activities	(18,252)	9,509	(7,867)
Net cash used in financing activities	(1,070)	(38,262)	(4,952)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(17,025)</b>	<b>670</b>	<b>26,983</b>
Cash and cash equivalents at beginning of the financial year	(7,365)	(24,390)	(23,720)
<b>Cash and cash equivalents at end of the financial year<sup>(1)</sup></b>	<b>(24,390)</b>	<b>(23,720)</b>	<b>3,263</b>



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

- (1) Cash and cash equivalents comprised the following:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Cash and bank balances	9,306	17,731	29,691
Fixed deposits with licensed banks	27,714	41,289	49,274
Bank overdrafts	(29,527)	(41,451)	(26,428)
	<b>7,493</b>	<b>17,569</b>	<b>52,537</b>
Less: Fixed deposits with initial maturity of more than 3 months	-	(1,000)	(1,394)
Less: Fixed deposits pledged with licensed bank	(27,714)	(40,289)	(47,880)
Less: Bank balances with restricted usage due to an ongoing litigation	(4,169)	-	-
<b>Cash and cash equivalents at end of the financial year</b>	<b>(24,390)</b>	<b>(23,720)</b>	<b>3,263</b>

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;
- (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

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

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
  - 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

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

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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.

**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 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.

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

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 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 to part fund the purchase of right of use assets, which mainly comprised motor vehicles, plant and equipment;
- (iv) RM1.00 million for the placement of 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.

**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;

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

- (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
- (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.

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**12. FINANCIAL INFORMATION (CONT'D)****12.4.3 Borrowings**

As at 31 December 2023, our Group's total outstanding bank borrowings was approximately RM143.51 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 FYE 2023 (%)	As at 31 December 2023		
			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	4,680	23,872	28,552
Revolving credits <sup>(1)</sup>	Working capital	6.20	35,000	-	35,000
Trust receipts <sup>(2)</sup>	Working capital	7.77 – 8.16	37,713	-	37,713
Bank overdrafts	Working capital	7.82 – 8.13	26,428	-	26,428
Hire purchases	Finance acquisition of motor vehicles, plant and machineries as well as site equipment	3.69 – 5.64	9,297	6,034	15,331
<b>Total borrowings</b>			<b>113,118</b>	<b>29,906</b>	<b>143,024</b>

**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.

## 12. FINANCIAL INFORMATION (CONT'D)

The maturity profile of our total outstanding borrowings as at 31 December 2023 is as follows:

<b>Maturity</b>	<b>Amount</b>
	<b>(RM'000)</b>
On demand or within 1 year	113,118
1 to 2 years	10,058
2 to 5 years	11,306
More than 5 years	8,542
<b>Total</b>	<b>143,024</b>

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.

We have applied to the financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Group and/or other securities from our Group acceptable to the financiers. Until such release and/or discharge are obtained from the respective financiers, Tan Sri Joseph, Datuk Jonathan, Datuk Jessica and Johannes Lo will continue to guarantee the banking facilities extended to our Group.

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 overdraft, 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

## 12. FINANCIAL INFORMATION (CONT'D)

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 overseas 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 overdraft, revolving credits, trust receipts, hire purchase and term loans as disclosed above, our Group does not use any other financial instruments.

### 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 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;



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

- (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 Sum**").

Following the decision of the High Court, Pembinaan AJ recognised a total amount of RM12.67 million which comprises 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) as construction cost and a further RM5.31 million as interest expenses in the 6-month financial period ended 30 June 2024.

**(ii) Court of Appeal of Malaysia (Appellate Jurisdiction) ("COA") Suit No. S-02(NCvC)(W)-1443-08/2024**

On 12 July 2024, Pembinaan AJ filed an appeal to the COA against the decision of the High Court as set out in item (i) above. A case management for this matter has been fixed on 25 November 2024.

The solicitors acting for Pembinaan AJ opines that, in the event the appeal was struck out or dismissed (as the case may be) by the COA, Pembinaan AJ would be subject to the Judgment Sum and such other order to costs as may be assessed by the COA, as the maximum exposure of liability to be borne thereby.

**(iii) 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**").

## 12. FINANCIAL INFORMATION (CONT'D)

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.

**12. FINANCIAL INFORMATION (CONT'D)****(iv) 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 (iii) 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 (S) Sdn Bhd, Megaworld Synergy Sdn Bhd and Jayawanto Sdn Bhd in respect of banking facilities amounting to RM1.26 million, RM8.00 million and RM3.74 million granted by Public Islamic Bank Berhad to Yun Foh (S) Sdn Bhd and United Overseas Bank Limited to Megaworld Synergy Sdn Bhd and Jayawanto Sdn Bhd, respectively. As at the LPD, the corporate guarantees are in the midst of being discharged.

**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>
Trade receivables turnover period (days) <sup>(1)</sup>	88	105	85
Trade payables turnover period (days) <sup>(2)</sup>	76	49	50
Current ratio (times) <sup>(3)</sup>	1.19	1.26	1.35
Gearing ratio (times) <sup>(4)</sup>	2.39	1.83	1.61

**Notes:**

- (1) Computed based on the average trade receivables (excluding retention sum) as at the beginning and end of the respective financial year multiplied by 365 days for the Period under Review, divided by the total revenue for the respective financial year.
- (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 multiplied by 365 days for the Period under Review, divided by the total cost of sales for the respective financial year.
- (3) Computed based on current assets over current liabilities as at the respective financial year end.
- (4) Computed based on the total indebtedness over total equity as at the respective financial year end.

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

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Average trade receivables <sup>(1)</sup>	55,635	85,789	65,319
Revenue	231,457	296,838	280,766
Average trade receivables turnover period (days) <sup>(2)</sup>	88	105	85

**Notes:**

- (1) Computed based on the sum of the closing balance of the previous financial year and the closing balance of the current financial year (excluding retention sum), divided by 2.
- (2) Computed based on average of the trade receivables (excluding retention sum) as at the beginning and end of the respective financial year multiplied by 365 days for the Period under Review, divided by the total revenue for the financial year.

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) 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.

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

The aging analysis of our trade receivables as at 31 December 2023 and the subsequent collections up to the LPD are as follows:

<b>As at 31 December 2023</b>	<b>Within credit period</b>	<b>Past due</b>			<b>Total</b>
		<b>1 to 30 days</b>	<b>31 to 90 days</b>	<b>&gt;90 days</b>	
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Trade receivables	36,103	2,816	5,821	17	44,757
% of total trade receivables	80.67%	6.29%	13.00%	0.04%	100.00%
<b>As at the LPD:</b>					
Trade receivables settled	34,103	2,816	5,821	-	42,740
% of total trade receivables	76.20%	6.29%	13.00%	-	95.49%
<b>Trade receivables outstanding</b>	<b>2,000</b>	<b>-</b>	<b>-</b>	<b>17</b>	<b>2,017</b>

As at the LPD, we have collected RM42.74 million or approximately 95.49% of our total trade receivables of RM44.76 million which were outstanding as at 31 December 2023. 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.

**(ii) Trade payables turnover period**

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

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Average trade payables <sup>(1)</sup>	33,811	27,732	27,706
Cost of sales	161,529	206,044	203,188
Average trade payables turnover period (days) <sup>(2)</sup>	76	49	50

**Notes:**

- (1) Computed based on the sum of the closing balance of the previous financial year and the closing balance of the current financial year (excluding disputed balances attributable to a creditor and retention sum), divided by 2.
- (2) 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 multiplied by 365 days for the Period under Review, divided by the total revenue for the financial year, divided by the total cost of sales for the financial year.

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.

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

For the Period under Review, an amount of RM8.38 million was excluded from the computation of trade payables turnover period as this amount is subject to ongoing litigation between our Group and OTA Tunnel Squad Sdn Bhd as disclosed in Section 14.6 of this Prospectus. 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 and remained relatively unchanged at 50 days for the FYE 2023.

The aging analysis of our trade payables as at 31 December 2023 and the subsequent payments up to the LPD are as follows:

<b>As at 31 December 2023</b>	<b>Within credit period</b>	<b>Past due</b>			<b>Total</b>
		<b>0 to 30 days</b>	<b>31 to 90 days</b>	<b>&gt;90 days</b>	
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Trade payables	(1)34,649	5,812	6,309	(2)14,666	61,436
% of total trade payables	56.40%	9.46%	10.27%	23.87%	100.00%
<b>As at the LPD:</b>					
Trade payables settled	7,986	5,761	6,075	4,416	24,238
% of total trade payables	13.00%	9.38%	9.89%	7.19%	39.45%
<b>Trade payables outstanding</b>	<b>26,663</b>	<b>51</b>	<b>234</b>	<b>10,250</b>	<b>37,198</b>

**Notes:**

- (1) Inclusive of retention sums of RM22.95 million which will be payable upon the completion of respective project.
- (2) Inclusive of disputed balances attributable to OTA Tunnel Squad Sdn Bhd of RM8.38 million.

As at the LPD, we have paid RM24.24 million or approximately 39.45% of our trade payables of RM61.44 million which were outstanding as at 31 December 2023. For the Period under Review, save for the ongoing litigation with OTA Tunnel Squad Sdn Bhd 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:

	<b>As at 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Current assets	250,399	255,709	249,808
Current liabilities	210,894	202,974	185,055
<b>Net current assets</b>	<b>39,505</b>	<b>52,735</b>	<b>64,753</b>
Current ratio (times) <sup>(1)</sup>	1.19	1.26	1.35

**Note:**

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

**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 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.

**(iv) Gearing ratio**

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

	<b>As at 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Total borrowings	130,348	139,539	143,024
Total equity	54,551	76,265	88,749
Gearing ratio (times)	2.39	1.83	1.61

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)

**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. FINANCIAL INFORMATION (CONT'D)****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 an decrease of approximately RM275,000 (FYE 2022: RM312,000; FYE 2021: RM264,000) on our Group's profitability before tax for FYE 2023. A 50 basis point decrease in interest rates would result in an equivalent, but opposite impact on our Group's profitability before tax.

**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 RM1.08 billion as follows:

<b>Project</b>	<b>Total contract value</b>	<b>(<sup>1</sup>)Outstanding order book as at [the LPD]</b>	
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(%)</b>
Jalan Lintas Upgrading Project	293,003	2,490	0.23
Jalan UMS Upgrading Project	356,891	24,664	2.29
Pan Borneo Highway (WP06) Project	832,085	260,422	24.21
Pulau Sebatik Road Project	56,188	44,727	4.16
Kota Belud Road Project <sup>(2)</sup>	60,179	44,390	4.13
DBKK Sewerage Project	20,315	16,333	1.52
Pan Borneo Highway (WP12) Project	316,500	316,500	29.42
Pan Borneo Highway (WP13) Project <sup>(2)</sup>	366,128	366,128	34.04
<b>Total</b>		<b>1,075,654</b>	<b>100.00</b>

**Note:**

- (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 2027.

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

**12.13 DIVIDEND POLICY**

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

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>(RM'000)</b>	<b>(RM'000)</b>	<b>(RM'000)</b>
Dividends declared	(1)7,000	(1)10,000	(2)13,000
Dividends paid	(1)7,000	(1)10,000	(2)4,440
PAT attributable to owners of the Group	34,143	31,691	25,983
Dividend payout ratio <sup>(3)</sup> (%)	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)**

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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 CONSOLIDATED 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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Date: 27 June 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 31 DECEMBER 2023 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 31 December 2023 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") ("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 31 December 2023. 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 31 December 2023, 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.

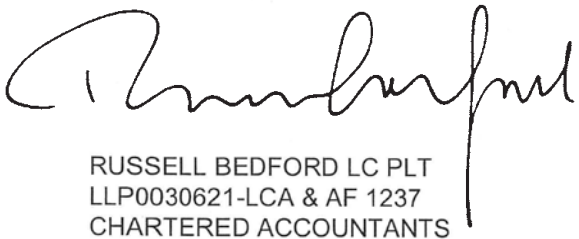
**12. FINANCIAL INFORMATION (CONT'D)****Opinion**

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.

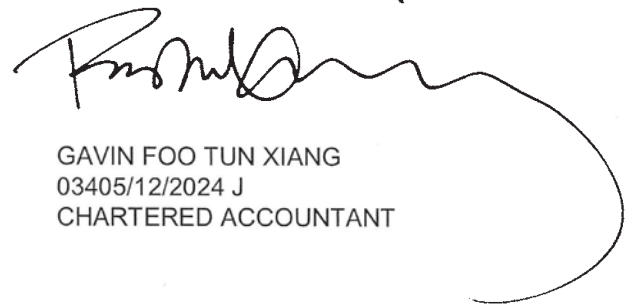
**Restriction on distribution and use**

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 31 DECEMBER 2023**

	Note	Audited as at 31 December 2023 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
<b>Non current assets</b>					
Property, plant and equipment		53,125,089	53,125,089	53,125,089	53,125,089
Right of use assets		29,450,710	29,450,710	29,450,710	29,450,710
Investment property		1,687,677	1,687,677	1,687,677	1,687,677
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
		88,973,594	88,973,594	88,973,594	88,973,594
<b>Current assets</b>					
Inventories		9,280,011	9,280,011	9,280,011	9,280,011
Trade receivables		43,256,931	43,256,931	43,256,931	43,256,931
Other receivables, deposits and prepayments		33,712,417	33,712,417	33,712,417	33,712,417
Contract assets		77,639,053	77,639,053	77,639,053	77,639,053
Contract costs		6,377,339	6,377,339	6,377,339	6,377,339
Tax recoverable		576,643	576,643	576,643	576,643
Fixed deposits with licensed banks		49,274,321	49,274,321	49,274,321	49,274,321
Cash and bank balances	5(a)	29,690,892	29,690,892	[•]	[•]
		249,807,607	249,807,607	[•]	[•]
<b>Total assets</b>		338,781,201	338,781,201	[•]	[•]

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Chartered Accountants

## 12. FINANCIAL INFORMATION (CONT'D)

**AZAM JAYA BERHAD**  
(Incorporated in Malaysia)

**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023** (continued)

	Note	Audited as at 31 December 2023 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
<b>Equity</b>					
Share capital	5(b)	2	71,669,805	[•]	[•]
Invested equity	5(c)	6,800,000	-	-	-
Merger reserve	5(d)	-	(64,869,803)	(64,869,803)	(64,869,803)
Retained profits	5(e)	81,948,752	81,948,752	81,948,752	[•]
<b>Total equity</b>		<b>88,748,754</b>	<b>88,748,754</b>	<b>[•]</b>	<b>[•]</b>
<b>Non current liabilities</b>					
Term loans		23,872,216	23,872,216	23,872,216	23,872,216
Lease liabilities		6,337,632	6,337,632	6,337,632	6,337,632
Deferred tax liabilities		10,621,500	10,621,500	10,621,500	10,621,500
Trade payables		24,146,658	24,146,658	24,146,658	24,146,658
		64,978,006	64,978,006	64,978,006	64,978,006
<b>Current liabilities</b>					
Trade payables		37,289,571	37,289,571	37,289,571	37,289,571
Other payables and accruals		4,476,067	4,476,067	4,476,067	4,476,067
Dividend payable		8,557,000	8,557,000	8,557,000	8,557,000
Contract liabilities		18,045,580	18,045,580	18,045,580	18,045,580
Borrowings	5(f)	103,820,849	103,820,849	103,820,849	[•]
Lease liabilities		9,482,323	9,482,323	9,482,323	9,482,323
Tax payable		3,383,051	3,383,051	3,383,051	3,383,051
		185,054,441	185,054,441	185,054,441	[•]
<b>Total liabilities</b>		<b>250,032,447</b>	<b>250,032,447</b>	<b>250,032,447</b>	<b>[•]</b>
<b>Total equity and liabilities</b>		<b>338,781,201</b>	<b>338,781,201</b>	<b>[•]</b>	<b>[•]</b>

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

**AZAM JAYA BERHAD**  
(Incorporated in Malaysia)

**PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2023** (continued)

	Audited as at 31 December 2023	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)	88,748,754	88,748,754	[•]	[•]
Net assets per ordinary shares (RM)	44,374,377	0.21	[•]	[•]
Gearing ratio (times)	1.61	1.61	[•]	[•]

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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  
31 DECEMBER 2023**

**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 RM[•] 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.

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 31 December 2023, 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 31 December 2023. 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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(LLP0030621-LCA & AF1237)  
Chartered Accountants

**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.

**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.

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

**AZAM JAYA BERHAD**  
(Incorporated in Malaysia)

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

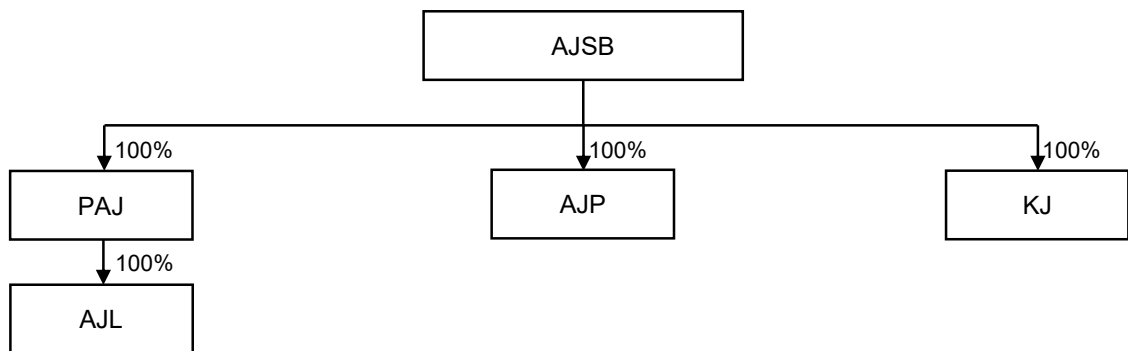
On 5 June 2024, the Company had entered into a conditional share sale agreement with the shareholders of KJ to acquire the entire equity interest in KJ comprising 1,000,000 ordinary shares for a total purchase consideration of RM9,925,429. The purchase consideration is to be satisfied by the issuance 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.

**3.1.4 Share split**

Upon completion of the Acquisition, PAJ, AJP and KJ will become wholly owned subsidiaries of the Company. The Company’s issued share capital shall increase from RM2 comprising 2 shares to RM71,669,605 comprising 71,669,805 shares.

Following the completion of the Acquisitions, Azam Jaya undertake 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 share split is pending completion.

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:

	<b>RM</b>
Consideration paid for the Acquisition	71,669,803
Less: Issued and paid-up share capital of subsidiaries as at 31 December 2023	(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 RM[•] 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 RM[•] 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 RM[•] 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 31 December 2023**

The pro forma combined statements of financial position of the Group as at 31 December 2023 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 31 December 2023.

**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:

<b>Purpose</b>	<b>Estimated timeframe for utilisation upon listing</b>	<b>Amount of proceeds</b>	
		<b>RM</b>	<b>%</b>
Enhancing the Group's construction capabilities <sup>(1)</sup>	Within 36 months	[•]	[•]
Working capital for construction projects	Within 12 months	[•]	[•]
Repayment of bank borrowings <sup>(2)</sup>	Within 6 months	[•]	[•]
Estimated listing expenses <sup>(3)</sup>	Within 3 months	[•]	[•]
		[•]	[•]
		[•]	[•]

**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 RM[•] directly attributable to issuance of new shares and will be off set against share capital and the remaining estimated listing expense of RM[•] that is attributable to the listing will be expensed off to the profit or loss. As of 31 December 2023, RM[•] 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**

	<b>RM</b>
At 31 December 2023/ As per Pro Forma I	29,690,892
Arising from IPO	[•]
As per Pro Forma II	[•]
Arising from defrayment of estimated listing expenses	[•]
Arising from repayment of borrowings	[•]
As per Pro Forma III	[•]

**(b) Share capital**

	<b>No. of shares</b>	<b>RM</b>
At 31 December 2023	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	[•]
As per Pro Forma II	500,000,000	[•]
Arising from defrayment of estimated listing expenses	-	[•]
As per Pro Forma III	500,000,000	[•]

**(c) Invested equity**

	<b>No. of shares</b>	<b>RM</b>
At 31 December 2023	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**

	<b>RM</b>
At 31 December 2023	-
Arising from Acquisition and Share Split	(64,869,803)
As per Pro Forma I, II and III	(64,869,803)

**(e) Retained earnings**

	<b>RM</b>
At 31 December 2023/ As per Pro Forma I and II	81,948,752
Arising from defrayment of estimated listing expenses	[•]
As per Pro Forma III	[•]

**(f) Borrowings**

	<b>RM</b>
At 31 December 2023/ As per Pro Forma I and II	103,820,849
Arising from repayments of borrowings	[•]
As per Pro Forma III	[•]

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

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**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  
27 JUN 2024

On behalf of the Board of Directors



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DATUK JONATHAN LO CHAW LOONG, JP



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DATUK LO YUN CHE @ JESSICA

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

(LLP0030621-LCA &amp; AF1237)

**Chartered Accountants****羅瑞貝德特許會計師事務所**

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Date: 27 June 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 and 31 December 2023, combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years then ended, 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 and 31 December 2023, and of its combined financial performance and combined cash flows for the financial years then ended 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)**

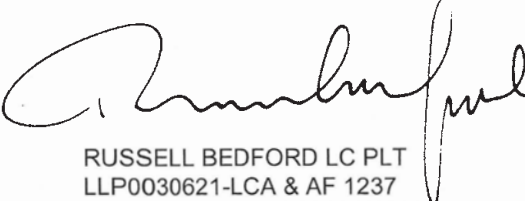
**Reporting accountants' responsibilities for the audit of the combined financial statements**  
(continued)

- 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.

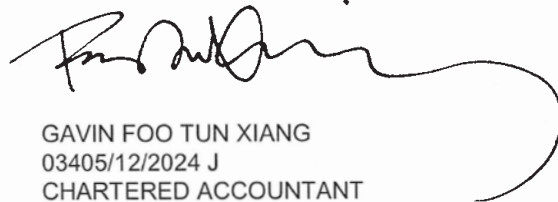
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**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**

	Note	FOR THE FINANCIAL YEAR ENDED 31 DECEMBER		
		2021 RM	2022 RM	2023 RM
Revenue	4	231,457,020	296,838,548	280,766,072
Cost of sales	5	(161,528,793)	(206,044,416)	(203,187,686)
Gross profit		69,928,227	90,794,132	77,578,386
Other operating income		1,773,905	1,331,961	1,141,385
Administrative expenses		(19,494,828)	(32,010,942)	(31,735,202)
Allowance for expected credit losses		-	(4,263,528)	-
<b>Profit from operations</b>	7	52,207,304	55,851,623	46,984,569
Finance income	8	137,993	448,077	865,835
Finance costs	9	(6,318,199)	(10,314,928)	(9,284,086)
Net finance costs		(6,180,206)	(9,866,851)	(8,418,251)
<b>Profit before tax</b>		46,027,098	45,984,772	38,566,318
Income tax expense	10	(11,837,256)	(14,270,279)	(12,582,712)
<b>Net profit/Total comprehensive income for the year</b>		34,189,842	31,714,493	25,983,606
<b>Net profit/Total comprehensive income attributable to:</b>				
Owners of the Company		34,142,511	31,691,083	25,983,606
Non-controlling interests		47,331	23,410	-
		34,189,842	31,714,493	25,983,606

**13. ACCOUNTANTS' REPORT (CONT'D)**

**AZAM JAYA BERHAD**  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	AS AT 31 DECEMBER		
		2021 RM	2022 RM	2023 RM
<b>Non current assets</b>				
Property, plant and equipment	11	33,379,279	36,613,821	53,125,089
Right of use assets	12	34,644,940	40,201,828	29,450,710
Investment property	13	-	1,724,700	1,687,677
Inventories	15	3,092,919	3,147,892	3,210,118
Deferred tax assets	16	-	37,700	-
Trade receivables	17	-	-	1,500,000
<b>Current assets</b>		<b>71,117,138</b>	<b>81,725,941</b>	<b>88,973,594</b>
Inventories	15	20,760,243	14,992,429	9,280,011
Trade receivables	17	86,288,656	85,881,438	43,256,931
Other receivables, deposits and prepayments	18	74,918,770	59,367,826	33,712,417
Contract assets	19	11,376,830	30,007,655	77,639,053
Contract costs	20	20,033,099	6,439,703	6,377,339
Tax recoverable		-	-	576,643
Fixed deposits with licensed banks	21	27,713,863	41,288,553	49,274,321
Cash and bank balances	22	9,306,762	17,731,466	29,690,892
		<b>250,398,223</b>	<b>255,709,070</b>	<b>249,807,607</b>
<b>Total assets</b>		<b>321,515,361</b>	<b>337,435,011</b>	<b>338,781,201</b>
<b>Equity</b>				
Invested equity	23	6,800,002	6,800,002	6,800,002
Retained profits		47,151,063	68,842,146	81,948,752
<b>Equity attributable to owners of the Group</b>		<b>53,951,065</b>	<b>75,642,148</b>	<b>88,748,754</b>
Non-controlling interests		599,590	623,000	-
<b>Total equity</b>		<b>54,550,655</b>	<b>76,265,148</b>	<b>88,748,754</b>
<b>Non current liabilities</b>				
Term loans	24	19,540,575	16,202,600	23,872,216
Lease liabilities	25	11,889,774	10,760,258	6,337,632
Deferred tax liabilities	16	2,201,191	5,883,000	10,621,500
Trade payables	26	22,439,350	25,349,896	24,146,658
		<b>56,070,890</b>	<b>58,195,754</b>	<b>64,978,006</b>
<b>Current liabilities</b>				
Trade payables	26	38,541,470	33,684,078	37,289,571
Other payables and accruals	27	10,441,633	14,225,600	4,476,067
Dividend payable		-	-	8,557,000
Contract liabilities	19	52,689,826	33,533,436	18,045,580
Borrowings	28	87,259,269	99,728,582	103,820,849
Lease liabilities	25	12,771,836	13,572,631	9,482,323
Tax payable		9,189,782	8,229,782	3,383,051
		<b>210,893,816</b>	<b>202,974,109</b>	<b>185,054,441</b>
<b>Total liabilities</b>		<b>266,964,706</b>	<b>261,169,863</b>	<b>250,032,447</b>
<b>Total equity and liabilities</b>		<b>321,515,361</b>	<b>337,435,011</b>	<b>338,781,201</b>

**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

**13. ACCOUNTANTS' REPORT (CONT'D)**

**AZAM JAYA BERHAD**  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER

	2021 RM	2022 RM	2023 RM
<b>Cash flows from/(used in) operating activities</b>			
Profit before tax	46,027,098	45,984,772	38,566,318
Adjustments for:			
Allowance for expected credit loss	-	4,263,528	-
Bad debts written off	-	-	139,882
Depreciation	9,022,469	9,819,816	10,624,505
Gain on disposal of			
- plant and equipment	-	(295,000)	(1,414)
- right of use assets	-	(50,000)	-
Gain on derecognition of lease	-	-	(21,597)
Interest expense	6,318,199	10,314,928	9,284,086
Interest income	(137,993)	(448,077)	(865,835)
Plant and equipment written off	-	39,094	55,229
<b>Operating profit before working capital changes</b>	61,229,773	69,629,061	57,781,174
Changes in inventories	12,121,478	5,712,841	5,650,192
Changes in contract assets/liabilities – net	4,216,664	(37,787,215)	(63,119,254)
(Increase)/Decrease in contract costs	(15,692,932)	13,593,396	62,364
(Increase)/Decrease in trade and other receivables	(62,903,090)	(7,901,000)	55,634,697
Increase/(Decrease) in trade and other payables	9,004,128	(2,238,425)	(2,977,333)
<b>Cash generated from operations</b>	7,976,021	41,008,658	53,031,840
Income tax paid	(5,678,561)	(11,586,170)	(13,229,886)
<b>Net cash from operating activities</b>	2,297,460	29,422,488	39,801,954
<b>Cash flows from/(used in) investing activities</b>			
Interest received	137,993	448,077	865,835
(Advances to)/Repayments from			
- companies in which certain directors have interest	(2,728,660)	11,026,387	8,126,137
- 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)	-
Purchase of plant and equipment	(4,358,182)	(2,608,670)	(12,895,531)
Purchase of right of use assets	(910,418)	(1,653,446)	(561,769)
Proceeds from disposal of			
- plant and equipment	-	373,315	5,850
- right of use assets	-	185,000	-
Increase in fixed deposits with initial maturity of more than 3 months	-	(1,000,000)	(393,756)
<b>Net cash (used in)/from investing activities</b>	(18,251,807)	9,509,080	(7,867,034)

**13. ACCOUNTANTS' REPORT (CONT'D)**

**AZAM JAYA BERHAD**  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS (continued)****FOR THE FINANCIAL YEAR ENDED 31 DECEMBER**

	2021 RM	2022 RM	2023 RM
<b>Cash flows from/(used in) financing activities</b>			
Interest paid	(6,318,199)	(10,314,928)	(9,284,086)
Increase in fixed deposits pledged	(13,112,657)	(12,574,690)	(7,592,012)
Advances from/(Repayments to)			
- companies in which certain directors have interest	3,200,000	1,500,000	(1,500,000)
- a company in which the shareholder is connected to certain directors	123,861	(147,914)	-
- directors	4,529,295	285,460	(868,245)
Proceeds from issuance of shares	750,000	-	-
Proceeds from			
- lease liabilities	1,720,000	572,040	2,482,100
- term loans	500,000	-	11,700,000
- trust receipts	95,722,535	103,182,832	134,307,800
- revolving credits	11,422,738	-	10,000,000
Repayments of			
- lease liabilities	(11,450,074)	(14,789,000)	(14,975,134)
- term loans	(3,617,263)	(2,435,840)	(4,010,068)
- trust receipts	(84,540,800)	(103,539,998)	(125,212,210)
<b>Net cash used in financing activities</b>	<b>(1,070,564)</b>	<b>(38,262,038)</b>	<b>(4,951,855)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(17,024,911)</b>	<b>669,530</b>	<b>26,983,065</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>(7,364,682)</b>	<b>(24,389,593)</b>	<b>(23,720,063)</b>
<b>Cash and cash equivalents at end of year</b>	<b>(24,389,593)</b>	<b>(23,720,063)</b>	<b>3,263,002</b>
<b>Cash and cash equivalents comprise:</b>			
Cash and bank balances	9,306,762	17,731,466	29,690,892
Fixed deposits with licensed banks	27,713,863	41,288,553	49,274,321
Bank overdrafts	(29,527,185)	(41,451,529)	(26,427,890)
	7,493,440	17,568,490	52,537,323
Less: Fixed deposits with initial maturity of more than 3 months	-	(1,000,000)	(1,393,756)
Less: Fixed deposits pledged with licensed bank	(27,713,863)	(40,288,553)	(47,880,565)
Less: Bank balances with restricted usage due to an ongoing litigation	(4,169,170)	-	-
	(31,883,033)	(41,288,553)	(49,274,321)
	<b>(24,389,593)</b>	<b>(23,720,063)</b>	<b>3,263,002</b>

**13. ACCOUNTANTS' REPORT (CONT'D)**

**AZAM JAYA BERHAD**  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS (continued)****Reconciliation of liabilities arising from financing activities**

	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
	<u>1.1.2022</u> RM	<u>Cash</u> <u>flows</u> RM	<u>Non cash</u> <u>changes</u> RM	<u>31.12.2022</u> 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
	<u>1.1.2023</u> RM	<u>Cash</u> <u>flows</u> RM	<u>Non cash</u> <u>changes</u> RM	<u>31.12.2023</u> 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



**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 covered in the report are as follows:

Company	Date and place of incorporation	Effective equity interest		Principal activities
		31 December 2021	31 December 2022	
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
<b><u>Subsidiary of PAJ</u></b>				
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)

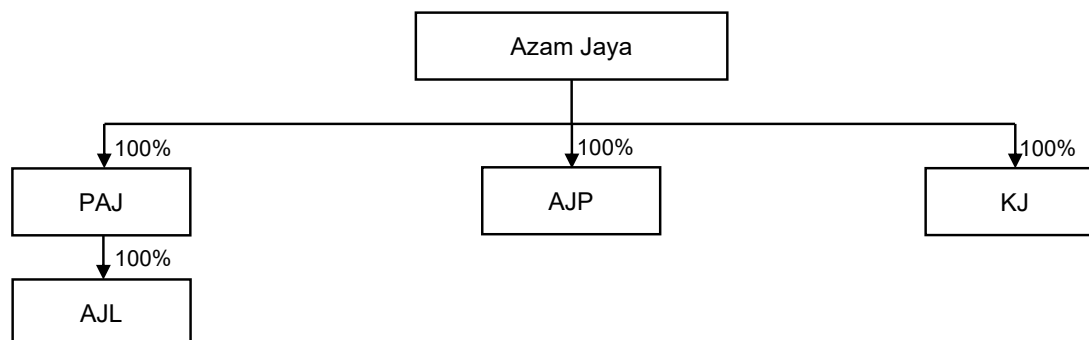
### AZAM JAYA BERHAD

(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 ended 31 December 2021, 31 December 2022 and 31 December 2023 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.

## 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 ended 31 December 2021, 31 December 2022 and 31 December 2023 (collectively referred to as "relevant financial years").

<b>Company</b>	<b>Relevant financial years/periods ("FPE"/"FYE")</b>	<b>Accounting standards applied</b>	<b>Auditors</b>
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
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
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
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
<b>Subsidiary of PAJ</b>			
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

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)**

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**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 years 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 years.

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%
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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)**

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**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)**

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**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)**

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**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**

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
Property development activities			
- sale of development properties	2,366,758	-	-
- sale of completed properties	17,050,332	7,461,044	6,000,000
Sale of ready mixed concrete	-	863,635	1,094,658
Construction contracts	212,039,930	288,513,869	273,671,414
	<u>231,457,020</u>	<u>296,838,548</u>	<u>280,766,072</u>

**4.1 Performance obligations**Construction 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:

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
Within one year	231,799,920	252,338,072	310,064,323
More than one year	482,674,346	299,661,158	19,017,767
	<u>714,474,266</u>	<u>551,999,230</u>	<u>329,082,090</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**

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Cost to fulfil contracts for:			
- development properties	1,603,757	-	-
- construction contracts	146,256,835	199,737,595	197,249,906
	147,860,592	199,737,595	197,249,906
Inventories recognised as expenses:			
- ready mixed concrete	-	376,664	136,528
- completed properties	13,668,201	5,930,157	5,801,252
	13,668,201	6,306,821	5,937,780
	<u>161,528,793</u>	<u>206,044,416</u>	<u>203,187,686</u>

**6. Staff costs**

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Defined contribution plan	1,803,417	2,484,085	2,955,315
Salaries and allowances	25,520,525	29,174,894	30,895,138
Other employee related expenses	844,150	1,900,180	837,044
	28,168,092	33,559,159	34,687,497
Staff costs recognised in contract costs	(16,168,339)	(15,750,882)	(14,694,326)
	<u>11,999,753</u>	<u>17,808,277</u>	<u>19,993,171</u>

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

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Directors' remuneration			
- fees	1,470,000	1,620,000	1,675,000
- other than fees	5,910,839	8,195,826	9,111,819
	7,380,839	9,815,826	10,786,819
Senior management			
- defined contribution plan	114,986	175,728	254,356
- salaries and allowance	1,413,050	1,905,223	2,562,050
- other employee related expenses	6,363	9,110	10,754
	1,534,399	2,090,061	2,827,160
	<u>8,915,238</u>	<u>11,905,887</u>	<u>13,613,979</u>

**13. ACCOUNTANTS' REPORT (CONT'D)****AZAM JAYA BERHAD**  
(Incorporated in Malaysia)**7. Profit from operations**

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Profit from operations is arrived at after charging/(crediting):			
Auditors' remuneration			
- statutory			
- current year	123,500	150,000	205,000
- under provision in prior years	8,000	2,500	-
- non statutory	17,500	59,500	42,000
Bad debts written off	-	-	139,882
Directors' remuneration			
- fees	1,470,000	1,620,000	1,675,000
- other than fees	5,910,839	8,195,826	9,111,819
Expenses relating to			
- short term leases	-	222,910	503,910
- low value assets	33,887	178,159	326,048
Gain on disposal of			
- plant and equipment	-	(295,000)	(1,414)
- right of use assets	-	(50,000)	-
Gain on derecognition of lease	-	-	(21,597)
charges income	(770,129)	(385,700)	(276,955)
Income arising from lease	(56,889)	(99,859)	(100,345)
Plant and equipment written off	-	39,094	55,229
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**8. Finance income**

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Interest income from fixed deposits with licensed banks	137,993	448,077	865,835
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**9. Finance costs**

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Interest expense on			
- bank overdraft	1,644,020	2,458,330	2,029,930
- hire purchase liabilities	1,271,563	1,287,397	1,145,042
- other lease liabilities	72,611	53,593	44,770
- revolving credit	466,067	2,582,447	1,925,017
- term loans	966,306	2,114,068	1,672,947
- trade payables	178,063	10,611	3,526
- trust receipts	1,719,569	1,808,482	2,462,854
	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<u>6,318,199</u>	<u>10,314,928</u>	<u>9,284,086</u>

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

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Expected income tax payable			
- current year	(8,575,369)	(10,508,365)	(6,663,096)
- over/(under) provision in prior years	270,094	(117,805)	(1,143,416)
	(8,305,275)	(10,626,170)	(7,806,512)
Deferred tax (Note 16)			
- current year	(3,954,384)	(3,525,800)	(4,476,100)
- over/(under) provision in prior years	422,403	(118,309)	(300,100)
	(3,531,981)	(3,644,109)	(4,776,200)
	<u>(11,837,256)</u>	<u>(14,270,279)</u>	<u>(12,582,712)</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:

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Profit before tax	46,027,098	45,984,772	38,566,318
Taxation at statutory tax rate of 24%	(11,047,000)	(11,036,000)	(9,256,000)
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)
Income not subject to tax	23,000	61,000	-
Over/(Under) provision in prior years			
- income tax	270,094	(117,805)	(1,143,416)
- deferred tax	422,403	(118,309)	(300,100)
Income tax expense for the year	<u>(11,837,256)</u>	<u>(14,270,279)</u>	<u>(12,582,712)</u>

**13. ACCOUNTANTS' REPORT (CONT'D)****AZAM JAYA BERHAD**  
(Incorporated in Malaysia)**11. Property, plant and equipment**

	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
<b>Cost</b>								
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

**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
<b>Accumulated depreciation</b>								
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)	-	-	(156,682)	-	(520,698)
Disposals	-	-	-	(1,673,085)	(175,000)	-	-	(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

**13. ACCOUNTANTS' REPORT (CONT'D)****AZAM JAYA BERHAD**  
(Incorporated in Malaysia)11. **Property, plant and equipment** (continued)

	<b>Leasehold land RM</b>	<b>Building RM</b>	<b>Furniture, fittings and office equipment RM</b>	<b>Motor vehicles RM</b>	<b>Plant and machinery RM</b>	<b>Site equipment RM</b>	<b>Renovation RM</b>	<b>Total RM</b>
<b>Carrying amount</b>								
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

**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.

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
Leasehold land	13,904,711	13,875,093	23,604,275
Building	2,916,725	1,127,500	2,100,000
	<u>16,821,436</u>	<u>15,002,593</u>	<u>25,704,275</u>

The unexpired leasehold years of the leasehold lands of the Group are as follows:

	<b>2021</b> <b>RM</b>	<b>Years</b>	<b>2022</b> <b>RM</b>	<b>Years</b>	<b>2023</b> <b>RM</b>	<b>Years</b>
Leasehold land with building	896,664	908	881,613	907	10,625,362	86 - 906
Leasehold land	13,008,047	895	12,993,480	894	12,978,913	893
	<u>13,904,711</u>		<u>13,875,093</u>		<u>23,604,275</u>	

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

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
Total additions	4,358,182	5,046,670	11,843,831
Deposits paid	-	-	(950,000)
Additions through other payables	-	(2,438,000)	(436,300)
Repayments of other payables	-	-	2,438,000
Total cash payments	<u>4,358,182</u>	<u>2,608,670</u>	<u>12,895,531</u>



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

	Staff dwelling RM	Motor vehicles RM	Office premises RM	Plant and machinery RM	Site equipment RM	Total RM
<b>Cost</b>						
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

**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
<b>Accumulated depreciation</b>						
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

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

	<b>Staff dwelling RM</b>	<b>Motor vehicles RM</b>	<b>Office premises RM</b>	<b>Plant and machinery RM</b>	<b>Site equipment RM</b>	<b>Total RM</b>
<b>Carrying amount</b>						
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

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:

	<b>Plant and machinery</b>		
	<b>Cost RM</b>	<b>Accumulated depreciation RM</b>	<b>Carrying amount RM</b>
At 31 December 2021	3,816,000	954,800	2,816,200
At 31 December 2022	796,000	318,400	477,600
At 31 December 2023	-	-	-

**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:

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
Total additions	12,940,892	15,541,685	4,417,569
Additions through			
- hire purchase liabilities	(11,761,800)	(13,726,545)	(3,855,800)
- other lease liabilities	(268,674)	(161,694)	-
Total cash payments	<u>910,418</u>	<u>1,653,446</u>	<u>561,769</u>

**13. Investment property**

	<b>Leasehold shop office RM</b>	<b>Total RM</b>
<b>Cost</b>		
At 31 December 2021	-	-
Transfer from property, plant and equipment	1,851,200	1,851,200
At 31 December 2022/31 December 2023	<u>1,851,200</u>	<u>1,851,200</u>
<b>Accumulated depreciation</b>		
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	<u>163,523</u>	<u>163,523</u>
<b>Carrying amount</b>		
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>

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 57 years (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:

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
Rental income	-	(42,000)	(42,000)
Direct operating expenses			
– Assessment and quit rent	-	3,493	3,595
– Repair and maintenance	-	5,529	7,041

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:

	<b>Country of incorporation</b>	<b>Group's effective and voting interest</b>		
		<b>2021</b> %	<b>2022</b> %	<b>2023</b> %
Azam Jaya Land Sdn Bhd ("AJL")	Malaysia	98.36	98.36	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**

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
<b>Non current</b>			
At cost:			
Land held for property development	3,092,919	3,147,892	3,210,118
<b>Current</b>			
At cost:			
Completed development unit	20,760,243	14,992,429	9,280,011

The unexpired lease period of the long term leasehold land held for property development is 44 (2022: 45; 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)**

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
At beginning of year	1,330,790	(2,201,191)	(5,845,300)
Recognised in profit or loss (Note 10)			
- current year	(3,954,384)	(3,525,800)	(4,476,100)
- over/(under) provision in prior years	422,403	(118,309)	(300,100)
	(3,531,981)	(3,644,109)	(4,776,200)
At end of year	<u>(2,201,191)</u>	<u>(5,845,300)</u>	<u>(10,621,500)</u>

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Deferred tax assets	-	37,700	137,000
Deferred tax liabilities	(2,201,191)	(5,883,000)	(10,758,500)
	(2,201,191)	(5,845,300)	(10,621,500)
Presented after appropriate offsetting:			
Deferred tax assets	-	(37,700)	-
Deferred tax liabilities	(2,201,191)	(5,883,000)	(10,621,500)

Deferred tax assets are in respect of the followings:

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Tax effects of:			
Other deductible temporary differences	-	37,700	137,000

Deferred tax liabilities are in respect of the followings:

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Tax effects of:			
Differences between tax capital allowances and accounting depreciation	1,887,191	3,363,000	4,923,500
Taxable timing differences for revenue recognition	314,000	2,520,000	5,835,000
	<u>2,201,191</u>	<u>5,883,000</u>	<u>10,758,500</u>

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

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
Third parties	85,252,417	90,144,966	49,020,459
Less: Allowance for expected credit losses	-	(4,263,528)	(4,263,528)
	85,252,417	85,881,438	44,756,931
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
Less: portion due within one year	(86,288,656)	(85,881,438)	(43,256,931)
Non current portion	-	-	1,500,000

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

Later than 1 year and not later than 2 years	-	-	500,000
Later than 2 years and not later than 5 years	-	-	1,000,000
	-	-	1,500,000

The Group's normal trade credit term is 30 days to 45 days (2022: 30 days to 45 days; 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:

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
At beginning of year	750,601	-	4,263,528
Allowance for the year	-	4,263,528	-
Write offs	(750,601)	-	-
At end of year	-	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.

2021	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	34,818,359	38,653,324	-	7,700,000	5,116,973	86,288,656
2022		Trade receivables – days past due				
	Not past due RM	<30 days RM	31-60 days RM	61-90 days RM	>90 days RM	Total 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
2023		Trade receivables – days past due				
	Not past due RM	<30 days RM	31-60 days RM	61-90 days RM	>90 days RM	Total 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)**18. Other receivables, deposits and prepayments**

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
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>
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
- 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
	<u>33,184,014</u>	<u>42,564,423</u>	<u>27,793,748</u>
Other receivables	8,938,261	8,182,024	8,105,585
Less: Allowance for expected credit losses	(7,834,549)	(7,834,549)	(7,834,549)
	1,103,712	347,475	271,036
Non-refundable deposits paid for acquisition of land and building	-	950,000	-
Deposits	1,679,517	1,284,383	1,476,265
Prepayments	654,816	639,638	644,798
	<u>74,918,770</u>	<u>59,367,826</u>	<u>33,712,417</u>

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

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
At beginning of year	7,992,181	7,992,181	7,992,181
Write off	-	-	(157,632)
At end of year	<u>7,992,181</u>	<u>7,992,181</u>	<u>7,834,549</u>

**13. ACCOUNTANTS' REPORT (CONT'D)**

**AZAM JAYA BERHAD**  
(Incorporated in Malaysia)

**19. Contract assets/(liabilities)**

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Contract assets			
- construction contracts	11,376,830	30,007,655	77,639,053
Contract liabilities			
- construction contracts	(52,689,826)	(33,533,436)	(18,045,580)

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:

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
At beginning of year	(37,096,332)	(41,312,996)	(3,525,781)
Revenue recognised during the year	214,406,688	288,513,869	275,118,283
Progress billings for the year	(218,623,352)	(250,726,654)	(211,999,029)
At end of year	(41,312,996)	(3,525,781)	59,593,473

**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:

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Fixed deposits pledged with licensed banks	27,713,863	40,288,553	47,880,565

**13. ACCOUNTANTS' REPORT (CONT'D)****AZAM JAYA BERHAD**  
(Incorporated in Malaysia)**22. Cash and bank balances**

Included in the bank balances is an amount of RM Nil (2022: RM Nil; 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**

	<b>Number of Ordinary Shares</b>	<b>RM</b>
Issued and fully paid up:		
At 1 January 2021	6,050,002	6,050,002
Issued during the year	750,000	750,000
At 31 December 2021/31 December 2022/31 December 2023	<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**

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Secured:			
Amount outstanding	23,297,648	20,861,808	28,551,740
Less: Portion due within one year (Note 28)	(3,757,073)	(4,659,208)	(4,679,524)
Non current portion	<u>19,540,575</u>	<u>16,202,600</u>	<u>23,872,216</u>

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

Later than 1 year and not later than 2 years	3,984,366	4,056,928	5,250,731
Later than 2 years and not later than 5 years	12,576,234	11,088,327	10,278,595
Later than 5 years	2,979,975	1,057,345	8,342,890
	<u>19,540,575</u>	<u>16,202,600</u>	<u>23,872,216</u>

The term loans are secured as disclosed in Note 28.

**25. Lease liabilities**

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Hire purchase liabilities	23,548,548	23,607,492	15,331,388
Other lease liabilities	1,113,062	725,397	488,567
Principal portion	24,661,610	24,332,889	15,819,955
Less: Portion due within one year	(12,771,836)	(13,572,631)	(9,482,323)
Non current portion	<u>11,889,774</u>	<u>10,760,258</u>	<u>6,337,632</u>

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

(Incorporated in Malaysia)

**25. Lease liabilities (continued)**

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

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
Later than 1 year and not later than 2 years	9,331,290	7,354,458	4,971,493
Later than 2 years and not later than 5 years	2,558,484	3,069,784	1,167,319
Later than 5 years	-	336,016	198,820
	<u>11,889,774</u>	<u>10,760,258</u>	<u>6,337,632</u>

The weighted average effective interest rates are as follows:

	<b>2021</b> <b>%</b>	<b>2022</b> <b>%</b>	<b>2023</b> <b>%</b>
Hire purchase liabilities	5.53	5.28	5.31
Other lease liabilities	6.97	7.02	7.35
	<u>6.97</u>	<u>7.02</u>	<u>7.35</u>

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
Total cash outflows for leases	<u>12,828,135</u>	<u>16,531,059</u>	<u>16,994,904</u>

**26. Trade payables**

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
Third parties	36,767,493	32,601,845	38,489,571
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
- Amount due to companies in which certain have interests	5,955,838	5,543,916	5,423,916
	<u>22,439,350</u>	<u>25,349,896</u>	<u>22,946,658</u>
	60,980,820	59,033,974	61,436,229
Less: portion due within one year	<u>(38,541,470)</u>	<u>(33,684,078)</u>	<u>(37,289,571)</u>
Non current portion	<u>22,439,350</u>	<u>25,349,896</u>	<u>24,146,658</u>

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

Later than 1 year and not later than 2 years	16,731,065	16,545,828	10,524,185
Later than 2 years and not later than 5 years	5,708,285	8,804,068	13,622,473
	<u>22,439,350</u>	<u>25,349,896</u>	<u>24,146,658</u>

The normal trade credit terms granted to the Group range from 30 days to 60 days (2022: 30 days to 60 days; 2021: 30 days to 60 days).

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

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
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
Balance of plant and equipment purchase consideration payable	-	2,438,000	436,300
Other payables and accruals	1,455,431	828,899	1,768,764
	<u>10,441,633</u>	<u>14,225,600</u>	<u>4,476,067</u>

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

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Secured:			
Bank overdrafts	29,527,185	41,451,529	26,427,890
Revolving credits	25,000,000	25,000,000	35,000,000
Trust receipts	28,975,011	28,617,845	37,713,435
Term loans - current portion (Note 24)	3,757,073	4,659,208	4,679,524
	<u>87,259,269</u>	<u>99,728,582</u>	<u>103,820,849</u>

The weighted average effective interest rates are as follows:

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Bank overdrafts	6.87	7.86	8.08
Revolving credits	4.88	4.93	6.20
Trust receipts	6.30	7.79	7.97
Term loans	<u>6.38</u>	<u>6.38</u>	<u>6.80</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:

<b>Name of company</b>	<b>Type of transactions</b>	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
With companies in which certain directors have interest:				
Jayawanto Sdn Bhd	Lease rental payment	(270,000)	(270,000)	(247,500)
Megaworld Synergy Sdn Bhd	Subcontract expenses	(17,806,076)	(14,410,233)	(877,543)
	Hiring charges expenses	(289,200)	(147,600)	-
	Sales of ready-mixed concrete	-	-	50,220
	Administrative charges income	17,401	15,691	280
	Settlement of liabilities on behalf via assignment of debts	1,600,000	-	-
Tamawang Sdn Bhd	Subcontract expenses	(7,337,295)	-	-
	Settlement of liabilities on behalf via assignment of debts	1,524,009	-	-
Yun Foh Enterprise (M) Sdn Bhd	Settlement of liabilities on behalf via assignment of debts	1,600,000	-	-
With a company in which a shareholder is connected to certain directors:				
Sense Power Sdn Bhd	Subcontract expenses	(10,211,998)	(13,159,507)	-
	Administrative charges income	248,382	56,333	-

**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:

<b>Financial assets</b>	<b>Type of transactions</b>	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
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
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
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)	-
		-	-	-
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	-	-



**13. ACCOUNTANTS' REPORT (CONT'D)****AZAM JAYA BERHAD**  
(Incorporated in Malaysia)**29.2 Related party balances (continued)**

<b>Financial liabilities</b>	<b>Type of transactions</b>	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
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 certain directors:				
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.

**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.

**13. ACCOUNTANTS' REPORT (CONT'D)**

**AZAM JAYA BERHAD**  
(Incorporated in Malaysia)

**30. Capital commitments**

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Capital expenditure not provided for in the financial statements			
- authorised and contracted for	-	11,063,800	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Analysed as follows:			
Property, plant and equipment	-	11,063,800	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**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:

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Customer A	212,039,930	287,801,429	263,440,265
	<u>                    </u>	<u>                    </u>	<u>                    </u>

**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.

<b>2021</b>	<b>Construction RM</b>	<b>Property development RM</b>	<b>Elimination RM</b>	<b>Total RM</b>
<b>Revenue</b>				
Total revenue	212,039,930	19,417,090	-	231,457,020
<b>Results</b>				
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
<b>Assets and liabilities</b>				
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
<b>Other information</b>				
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
<b>Non-cash items other than depreciation</b>	-	-	-	-

**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:

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
<b>Financial assets</b>			
Amortised cost:			
- trade and other receivables	160,552,610	143,659,626	77,824,550
- fixed deposits with licensed banks	27,713,863	41,288,553	49,274,321
- cash and bank balances	9,306,762	17,731,466	29,690,892
	<u>197,573,235</u>	<u>202,679,645</u>	<u>156,789,763</u>
<b>Financial liabilities</b>			
Amortised cost:			
- lease liabilities (fixed rate)	24,661,610	24,332,889	15,819,955
- borrowings			
- fixed rate	53,975,011	53,617,845	72,713,435
- floating rate	52,824,833	62,313,337	54,979,630
- trade and other payables	71,422,453	73,259,574	74,469,296
	<u>202,883,907</u>	<u>213,523,645</u>	<u>217,982,316</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:

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Amount due from one contract customer			
- trade receivable	74,935,500	81,402,438	35,658,468
- contract asset	11,376,830	30,007,655	77,639,053
	<u>86,312,330</u>	<u>111,410,093</u>	<u>113,297,521</u>

**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:

<b>Category</b>	<b>Definition</b>	<b>Basis for recognition of ECL</b>
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.

	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
Amount due from a company in which certain directors have an interest	157,632	157,632	-
Amount due from a former joint venture partner	7,834,549	7,834,549	7,834,549

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

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:

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>
Bank overdraft	-	-	1,320
Term loan	622,848	11,035,764	10,503,826
Revolving credit	3,130,550	1,019,200	1,053,154
Invoice financing	1,754,308	344,648	165,760
Trust receipts	1,115,142	861,637	-
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>

**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)**

	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
<b>2021</b>						
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
	<u>202,883,907</u>	<u>211,400,235</u>	<u>153,364,783</u>	<u>31,518,417</u>	<u>22,707,638</u>	<u>3,809,397</u>
Corporate guarantee	-	12,083,047	12,083,047	-	-	-
<b>2022</b>						
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
	<u>213,523,645</u>	<u>220,352,974</u>	<u>163,856,383</u>	<u>29,391,297</u>	<u>25,025,300</u>	<u>2,079,994</u>
Corporate guarantee	-	17,105,458	17,105,458	-	-	-
<b>2023</b>						
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
	<u>217,982,316</u>	<u>231,591,139</u>	<u>171,372,453</u>	<u>22,187,059</u>	<u>27,665,007</u>	<u>10,366,620</u>
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)**

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 RM275,000 (2022: RM312,000; 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:

	<b>2021</b> <b>RM</b>	<b>2022</b> <b>RM</b>	<b>2023</b> <b>RM</b>
Total debts	130,348,392	139,538,674	143,024,453
Less:			
Cash and bank balances	(9,306,762)	(17,731,466)	(29,690,892)
Fixed deposits with licensed banks	(27,713,863)	(41,288,553)	(49,274,321)
Net debts	<u>93,327,767</u>	<u>80,518,655</u>	<u>64,059,240</u>
Total equity	<u>54,550,655</u>	<u>76,265,148</u>	<u>88,748,754</u>
Gearing ratio (times)	<u>1.71</u>	<u>1.06</u>	<u>0.72</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:

	<b>2022</b>			
	<b>Fair value measurements at the end of the reporting period using</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Non financial assets:</b>				
Investment property				
- Leasehold shop office	-	1,750,000	-	1,750,000
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
	<b>2023</b>			
	<b>Fair value measurements at the end of the reporting period using</b>			
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
<b>Non financial assets:</b>				
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.

**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.

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

(Incorporated in Malaysia)

**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 that commencing from Progress Claim No. 17 onwards, 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.

- (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.

PAJ has been advised by its solicitor that PAJ has merits in the defence and counterclaim filed. The liabilities had been accounted based on the defence filed.

The trial has been completed and the parties have exchanged written submissions. The Court had fixed 12 July 2024 for ruling.

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

(Incorporated in Malaysia)

**35. Material litigations (continued)**

- (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.

**36. Dividends**

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

**13. ACCOUNTANTS' REPORT (CONT'D)**

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**AZAM JAYA BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

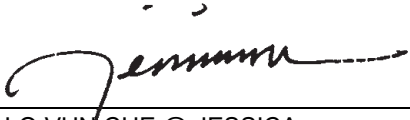
The directors nominated by AZAM JAYA BERHAD state that, in the opinion of the directors, the combined financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards, so as to give a true and fair view of the financial position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

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



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DATUK JONATHAN LO CHAW LOONG, JP



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DATUK LO VUN CHE @ JESSICA

Kota Kinabalu

Dated: 27 JUN 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.

<b>Words</b>	<b>Definition</b>
“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)**

<u>Words</u>	<u>Definition</u>
“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 [•] 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 [•] 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 [•] 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 Sepangar 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 Sum**”).

**14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**

Following the decision of the High Court, Pembinaan AJ recognised a total amount of RM12.67 million which comprises 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) as construction cost and a further RM5.31 million as interest expenses in the 6-month financial period ended 30 June 2024.

**(ii) Court of Appeal of Malaysia (Appellate Jurisdiction) (“COA”) Suit No. S-02(NCvC)(W)-1443-08/2024**

On 12 July 2024, Pembinaan AJ filed an appeal to the COA against the decision of the High Court as set out in item (i) above. A case management for this matter has been fixed on 25 November 2024.

The solicitors acting for Pembinaan AJ opines that, in the event the appeal was struck out or dismissed (as the case may be) by the COA, Pembinaan AJ would be subject to the Judgment Sum and such other order to costs as may be assessed by the COA, as the maximum exposure of liability to be borne thereby.

**(iii) 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.

**14. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**

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.

**(iv) 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 (iii) 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. STATUTORY AND OTHER GENERAL INFORMATION (CONT'D)**

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**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 as well as for the FYE 2023; 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., [●]

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., [●]

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.

<u>Types of Application and category of investors</u>	<u>Application method</u>
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

**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. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

### 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
- (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. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)****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 RM[•] for each IPO Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. [•]**” 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 [•] 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.

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.

## **15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

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, CGS International Securities Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd), Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions or Participating Securities Firm (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 Firm.

### **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.

### **15.8 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.

## 15. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

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://tiih.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).
- (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. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)****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 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 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 5<sup>th</sup> 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 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 will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution 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.
- (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. PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**

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**15.11 ENQUIRIES**

Enquiries in respect of the Applications may be directed as follows:

<b>Mode of application</b>	<b>Parties to direct the enquiries</b>
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:

<b>No.</b>	<b>Registered owner / Title / Postal address / Tenure</b>	<b>Description / Existing use</b>	<b>Express condition of land use / Category of land use / Restriction-in-interest</b>	<b>Encumbrances</b>	<b>Date of issuance of CCC / OC</b>	<b>Approximate land area / Approximate built-up area</b>	<b>NBV as at 31 December 2023 (RM'000)</b>
1.	<p><b>Registered owner:</b> AJ Land</p> <p><b>Title:</b> CL No. 015700777, 015700786, 015700795, 015700802, 015700811, 015700820, 015700839 and 015641193, Locality Inanam, District of Kota Kinabalu, Sabah</p> <p><b>Postal address:</b> Lot 2A, 2B, 3A, 3B, 4A, 4B, Open Space 2A and 5, Kg Kapa, Jalan Tuaran, Inanam, 88450 Kota Kinabalu, Sabah</p> <p><b>Tenure:</b> Leasehold of 99 years expiring on 1 September 2067, with a remaining tenure of approximately 43 years</p>	<p><b>Description:</b> 8 contiguous parcels of subdivided industrial land</p> <p><b>Existing use:</b> Vacant land</p>	<p><b>Express condition of land use:</b> <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 only</p> <p><b>Category of land use:</b> <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><b>Restriction-in-interest:</b> <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<sup>(1)</sup></p>	<p><b>Land area:</b> 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 31 December 2023 (RM'000)
			(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.				
			<u>Open Space 2A</u>				
			(a) Subdivision of this title is prohibited.				
			(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.				
			(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				



**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 31 December 2023  (RM'000)
2.	<p><b>Registered owner:</b> AJ Land/ Gen Sen Engineering Sdn Bhd</p> <p><b>Title:</b> CL No. 015641237, 015641246, 015641255, 015641228, Locality Inanam, District of Kota Kinabalu, Sabah</p> <p><b>Postal address:</b> <u>CL No. 015641237</u> Road reserve, Kg Kapa, Jalan Tuaran, Inanam, 88450 Kota Kinabalu, Sabah</p> <p><u>CL No. 015641246</u> Drain reserve, Kg Kapa, Jalan Tuaran, Inanam, 88450 Kota Kinabalu, Sabah</p> <p><u>CL No. 015641255</u> Sub-station reserve, Kg Kapa, Jalan Tuaran, Inanam, 88450 Kota Kinabalu, Sabah</p> <p><u>CL No. 015641228</u> Open space, Kg Kapa, Jalan Tuaran, Inanam, 88450 Kota Kinabalu, Sabah</p> <p><b>Tenure:</b> Leasehold of 99 years expiring on 1 September 2067, with a remaining tenure of approximately 43 years</p>	<p><b>Description:</b> 4 contiguous parcels of subdivided industrial land</p> <p><b>Existing use:</b> Vacant land</p>	<p><b>Express condition of land use:</b></p> <p><u>CL No. 015641237</u> Road reserve only</p> <p><u>CL No. 015641246</u> Drain reserve only</p> <p><u>CL No. 015641255</u> Sub-station reserve only</p> <p><u>CL No. 015641228</u> Open space only</p> <p><b>Category of land use:</b> <u>CL No. 015641237</u> Road reserve</p> <p><u>CL No. 015641246</u> Drain reserve</p> <p><u>CL No. 015641255</u> Sub-station reserve</p> <p><u>CL No. 015641228</u> Open space</p> <p><b>Restriction-in-interest:</b> 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 <sup>(1)</sup>	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 31 December 2023  (RM'000)
3.	<p><b>Registered owner:</b> AJ Land</p> <p><b>Title:</b> CL No. 015046090, Locality Telipok, District of Kota Kinabalu, Sabah</p> <p><b>Postal address:</b> Jln Tuaran KM 21.5, Telipok, 88450 Kota Kinabalu, Sabah</p> <p><b>Tenure:</b> Leasehold of 999 years expiring on 31 December 2916, with a remaining tenure of approximately 892 years</p>	<p><b>Description:</b> A parcel of commercial land</p> <p><b>Existing use:</b> storage of machineries and equipment</p>	<p><b>Express condition of land use:</b> Vacant land<sup>(2)</sup></p> <p><b>Category of land use:</b> Commercial mixed use</p> <p><b>Restriction-in-interest:</b> 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 <sup>(1)</sup>	<b>Land area:</b> 10.681 acres	12,979

**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 31 December 2023  (RM'000)
4.	<p><b>Registered owner:</b> AJ Properties</p> <p><b>Title:</b> TL No. 017549674, Locality Jalan Istana, District of Kota Kinabalu, Sabah</p> <p><b>Postal address:</b> No. 388, Jalan Istana, 88400 Kota Kinabalu, Sabah</p> <p><b>Tenure:</b> Leasehold of 98 years expiring on 31 December 2109, with a remaining tenure of approximately 85 years</p>	<p><b>Description:</b> A parcel of residential land with one bungalow house erected thereon</p> <p><b>Existing use:</b> One bungalow house erected thereon which is vacant</p>	<p><b>Express condition of land use:</b> Dwelling house</p> <p><b>Category of land use:</b> Dwelling house</p> <p><b>Restriction-in-interest:</b> (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	<b>Land area:</b> 1.817 acres	10,759

**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**

<b>No.</b>	<b>Tenant / Landlord</b>	<b>Postal address</b>	<b>Description / Existing use</b>	<b>Period of tenancy or lease</b>	<b>Date of issuance of CCC / OC</b>	<b>Approximate built-up area</b>	<b>Rental per annum (RM)</b>
1.	<b>Tenant:</b> AJ Properties  <b>Landlord:</b> Jayawanto Sdn Bhd	No. 7, Ground floor, 1 <sup>st</sup> floor and 2 <sup>nd</sup> floor Kolam Centre Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah	<b>Description:</b> 3-storey intermediate terrace shop office  <b>Existing use:</b> Corporate office of our Group	01.01.2024 to 31.12.2026	17.12.1992	<b>Built-up area:</b> 3,600 sq ft	108,000.00
2.	<b>Tenant:</b> AJ Land and AJ Properties  <b>Landlord:</b> Kok Yuk Ming and Chin Giok Ching	No. 8, Ground floor, 1 <sup>st</sup> floor and 2 <sup>nd</sup> floor Kolam Centre Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah	<b>Description:</b> 3-storey intermediate terrace shop office  <b>Existing use:</b> Corporate office of our Group	<u>Ground floor</u> 01.12.2023 to 30.11.2028  <u>1<sup>st</sup> floor</u> 01.07.2024 to 30.06.2027  <u>2<sup>nd</sup> floor</u> 01.04.2024 to 31.03.2027	17.12.1992	<b>Built-up area:</b> 3,600 sq ft	<u>Ground floor:</u> 51,600.00  <u>1<sup>st</sup> floor:</u> 33,600.00  <u>2<sup>nd</sup> floor:</u> 21,000.00
3.	<b>Tenant:</b> AJ Properties and AJ Land  <b>Landlord:</b> Jayawanto Sdn Bhd	No. 9, Ground floor, 1 <sup>st</sup> floor and 2 <sup>nd</sup> floor Kolam Centre Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah	<b>Description:</b> 3-storey intermediate terrace shop office  <b>Existing use:</b> Corporate office of our Group	01.01.2023 to 31.12.2025	17.12.1992	<b>Built-up area:</b> 3,600 sq ft	<u>Ground floor:</u> 60,000.00  <u>1<sup>st</sup> and 2<sup>nd</sup> floor:</u> 48,000.00
4.	<b>Tenant:</b> AJ Properties  <b>Landlord:</b> Chin Tsiew Wen @ Chin Tsiew Yun	No. 6, 2 <sup>nd</sup> floor, Jalan Kolam Centre 1, Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah	<b>Description:</b> 1 floor of a 3-storey intermediate terrace shop office  <b>Existing use:</b> Corporate office of our Group	01.03.2021 to 28.02.2026	17.12.1992	<b>Built-up area:</b> 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.	<b>Tenant:</b> AJ Properties  <b>Landlord:</b> Jet-Liner Travel Sdn Bhd	No. 10, 2 <sup>nd</sup> floor, Kolam Centre, Off Jalan Lintas, Luyang 88300 Kota Kinabalu Sabah	<b>Description:</b> 1 floor of a 3-storey corner terrace shop office  <b>Existing use:</b> Corporate office of our Group	01.09.2021 to 31.08.2024	17.12.1992	<b>Built-up area:</b> 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
<b><u>Pembinaan AJ</u></b>						
1.	CIDB	<p>Certificate of registration pursuant to Part VI of the CIDB 1994 in respect of:</p> <p><b>Grade G7 – Category B</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><b>Grade G7 – Category CE</b>                      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>	<p><b>Registration no.:</b> 1961111-SB013566</p>	<p><b>Date of issuance:</b> 24.10.2023</p> <p><b>Validity period:</b> 24.10.2023 to 12.02.2027</p>	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 period	Major conditions imposed	Status of compliance
		<p><b>Grade G7 – Category ME</b>                      M01: Air-conditioning and circulation systems                      M15: Miscellaneous mechanical equipment                      M19: Plant equipment installation</p>				
2.	CIDB	SPKK Certificate in respect of Grade G7, Categories B, CE and ME	<b>Registration no.:</b> 1961111-SB013566	<b>Date of issuance:</b> 28.10.2023	(a) This license is non-transferrable; and	Noted
				<b>Validity period:</b> 28.10.2023 to 12.02.2027	(b) See Note (2) below.	Noted
3.	PUKONSA	Certificate of registration	<b>Registration no.:</b> KEW:600-1/1/5253	<b>Date of issuance:</b> 29.07.2024	(a) This license is non-transferrable; and	Noted
				<b>Validity period:</b> 09.09.2024 to 08.09.2026	(b) See Note (3) below.	Noted
4.	Ministry of Entrepreneur Development and Cooperatives	<p>Certificate of Status of Bumiputera in respect of:</p> <p><b>Grade G7 – Category B</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>	<b>Registration no.:</b> 1961111-SB013566	<b>Date of issuance:</b> 15.11.2023	(a) At least 51% of the shareholders of Pembinaan AJ shall hold a Bumiputera status;	Complied
				<b>Validity period:</b> 15.11.2023 to 12.02.2027	(b) At least 51% of the directors of Pembinaan AJ shall hold a Bumiputera status; and	Complied
					(c) The key position such as the chief executive and manager shall be held by an individual with a Bumiputera status	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
		<p><b>Grade G7 – Category CE</b>  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</p> <p><b>Grade G7 – Category ME</b>  M01: Air-conditioning and circulation systems  M15: Miscellaneous mechanical equipment  M19: Plant equipment installation</p>				
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	<p><b>License no.:</b> 774558</p>	<p><b>Date of issuance:</b> 18.12.2023</p> <p><b>Validity period:</b> 18.12.2023 to 31.12.2024</p>	Nil	N/A



**ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS (CONT'D)**

<b>No.</b>	<b>Approving authority / issuer</b>	<b>Type of licenses / permits / approvals</b>	<b>License / Permit / Reference no.</b>	<b>Date of issuance / validity</b>	<b>Major conditions imposed</b>	<b>Status of compliance</b>
<b><u>AJ Land</u></b>						
1.	CIDB	Certificate of registration pursuant to Part VI of the CIDB Act 1994 in respect of:  <b>Grade G7 – Category B</b> B04: Construction work on buildings  <b>Grade G7 – Category CE</b> CE21: Civil engineering construction  <b>Grade G7 – Category ME</b> M15: Miscellaneous mechanical equipment	<b>Registration no.:</b> 0120230823-SB123508	<b>Date of issuance:</b> 23.08.2023  <b>Validity period:</b> 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	<b>License no.:</b> 774548	<b>Date of issuance:</b> 18.12.2023  <b>Validity period:</b> 18.12.2023 to 31.12.2024	Nil	N/A
<b><u>AJ Properties</u></b>						
1.	CIDB	Certificate of registration pursuant to Part VI of the CIDB Act 1994 in respect of:  <b>Grade G7 – Category B</b> B04: Construction work on buildings  <b>Grade G7 – Category CE</b> CE21: Civil engineering construction  <b>Grade G7 – Category ME</b> M15: Miscellaneous mechanical equipment	<b>Registration no.:</b> 0120180724-SB014521	<b>Date of issuance:</b> 06.06.2024  <b>Validity period:</b> 06.06.2024 to 15.06.2025	See Note (1)	Noted and complied

**ANNEXURE B – MAJOR LICENSES, PERMITS AND APPROVALS (CONT'D)**

<b>No.</b>	<b>Approving authority / issuer</b>	<b>Type of licenses / permits / approvals</b>	<b>License / Permit / Reference no.</b>	<b>Date of issuance / validity</b>	<b>Major conditions imposed</b>	<b>Status of compliance</b>
2.	Kota Kinabalu City Council	Trading license in respect of the business premise at Shoplot No. 9, 1 <sup>st</sup> Floor & 2 <sup>nd</sup> Floor, Kolam Centre, Off Jalan Lintas Luyang, 88300 Kota Kinabalu, Sabah	<b>License no.:</b> 776453	<b>Date of issuance:</b> 21.12.2023  <b>Validity period:</b> 21.12.2023 to 31.12.2024	Nil	N/A
<b><u>Kolopis Jaya</u></b>						
1.	CIDB	Certificate of registration pursuant to Part VI of the CIDB Act 1994 in respect of:  <b>Grade G7 – Category B</b> B04: Construction work on buildings  <b>Grade G7 – Category CE</b> CE21: Civil engineering construction  <b>Grade G7 – Category ME</b> M15: Miscellaneous mechanical equipment	<b>Registration no.:</b> 0120200505- SB046218	<b>Date of issuance:</b> 26.09.2022  <b>Validity period:</b> 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 Kolam Centre 1, Hilltop, 88300 Kota Kinabalu, Sabah	<b>License no.:</b> 774557	<b>Date of issuance:</b> 18.12.2023  <b>Validity period:</b> 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)**

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**(ii) Responsibilities and Obligations of Pembinaan AJ, AJ Land, AJ Properties and Kolopis Jaya**

1. Pembinaan AJ, AJ Land, AJ Properties and Kolopis 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 Kolopis 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 Kolopis 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 Kolopis 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 Kolopis Jaya shall submit any information required by the CIDB from time to time.
6. Pembinaan AJ, AJ Land, AJ Properties and Kolopis 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 Kolopis Jaya shall display their respective registration numbers on the signboards at each of their construction sites.
8. Pembinaan AJ, AJ Land, AJ Properties and Kolopis 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 Kolopis 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 Kolopis 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 Kolopis 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)**

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**(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)**

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(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 of registration until clearance in writing has been issued by the implementing agency		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 of registration for 1 year		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

**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.		
		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		
9.	Other offences committed by Pembinaan AJ in respect to the terms of the offer and terms of the contract for work(s)	Warning		
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		