

ANNUAL REPORT 2023





Message from Chairman

Dear Valued Shareholders,

On behalf of my colleagues on the Board of Haily Group Berhad, I am honoured to present our third Annual Report together with the Audited Financial Statements of Haily Group Berhad (“Haily” or “Company”) and its subsidiaries (collectively referred to as “Group”) for the financial year ended 31 December 2023.

Haji Mohd Jaffar Bin Awang (Ismail)
Independent Non-Executive Chairman

VISION

We aspire to be the choice builder by delivering high quality construction products and services to our customers in a timely manner and seek to create sustainable returns to all our stakeholders

MISSION

- To create a conducive environment for satisfactory development of skills and knowledge among staffs and management to promote career advancement, trigger efficiency and effectiveness in work processes and motivate team cohesiveness
- To uphold long term relationship with our valued customers without compromising in the highest standards in environmental, safety and health
- To adopt best industrial practices and embrace innovation as the way we conduct our businesses



TABLE OF CONTENTS

02	Corporate Information
03	Corporate Milestone
04	Corporate Structure
05	Five-Years Financial Highlights
06	Directors' and Key Senior Management's Profiles
14	Management Discussion and Analysis
24	Sustainability Statement
31	Corporate Governance Overview Statement
45	Audit and Risk Management Committee Report
50	Statement on Risk Management and Internal Control
58	Additional Compliance Information
60	Directors' Responsibility Statement in respect of the Audited Financial Statements
61	Directors' Report and Audited Financial Statements
119	Analysis of Shareholdings
121	Notice of Fourth Annual General Meeting
	Form of Proxy

CORPORATE INFORMATION

BOARD OF DIRECTOR

Haji Mohd Jaffar Bin Awang (Ismail)
Independent Non-Executive Chairman

See Tin Hai
Executive Director

Yoong Woei Yeh
CEO/Executive Director

See Swee Ling
Executive Director

See Cul Wei
Executive Director

Tan Sui Huat
Senior Independent Non-Executive Director

Ong Kheng Swee
Independent Non-Executive Director

Poh Boon Huwi
Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Ong Kheng Swee

Member
Tan Sui Huat
Poh Boon Huwi

REMUNERATION COMMITTEE

Chairperson
Poh Boon Huwi

Member
Tan Sui Huat
Ong Kheng Swee

NOMINATING COMMITTEE

Chairman
Tan Sui Huat

Member
Ong Kheng Swee
Poh Boon Huwi

COMPANY SECRETARIES

Irene Juay Yee Luan
(MAICSA 7057249 / SSM Practicing
Certificate No. 202008001193)
Hew Jing Sian
(MAICSA 7065968 / SSM Practicing
Certificate No. 202008001325)

PRINCIPAL PLACE OF BUSINESS

No. 3339, Jalan Pekeliling Tanjung 27
Kawasan Perindustrian Indahpura
81000 Kulai, Johor
Tel No.: +607-660 9888
Fax No.: +607-663 8866
Email: corporate@haily.com.my
Website : www.haily.my

REGISTERED OFFICE

Suite 5.11 & 5.12
5th Floor, Menara TJB
No. 9, Jalan Syed Mohd. Mufti
80000 Johor Bahru, Johor
Tel No.: +607-224 2823
Email: plc@cisgroup93.com

SHARE REGISTRAR

Tricor Investor & Issuing House
Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
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
Fax No.: +603-2783 9222

PRINCIPAL BANKERS

Hong Leong Islamic Bank Berhad
CIMB Islamic Bank Berhad
United Overseas Bank
(Malaysia) Berhad
Public Bank Berhad

AUDITORS

Baker Tilly Monteiro Heng PLT
Firm No.: 201906000600
(LLP0019411-LCA) & AF0117
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

SPONSOR

TA Securities Holdings Berhad
(Registration No. 197301001467 (14948-M))
29th Floor, Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur
Tel No.: +603-2072 1277

STOCK EXCHANGE LISTING

ACE Market, Bursa Malaysia
Securities Berhad
Stock Code: 0237
Stock Name: HAILY
Date of Listing: 21 July 2021

CORPORATE MILESTONE



2007

Haily Construction Sdn Bhd ("**Haily Construction**") was incorporated in May 2007.



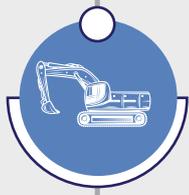
2008

We commenced operations as a contractor of building construction works and a registered contractor with CIDB. We commenced construction of 4 blocks of 4-storey purpose-built buildings comprising 28 units within the buildings used for breeding of swiftlet in Mersing, Johor.



2009

We secured our first of several contracts for the Taman Sri Pulai Perdana 2 Project and Sierra Perdana Project.



2011

Haily Machinery Sdn Bhd ("**Haily Machinery**") was incorporated in August 2011 and principally involved in the provision of rental of construction machinery.



2012

We secured our first contract for the construction of a high-rise building construction project, a 19-storey apartment namely Summerscape Johor Bahru.



2019

We were accredited ISO 9001:2015 which was valid from 5 December 2022 to 5 December 2025.



2018

We secured our first affordable housing projects, Rumah Mampu Milik Johor (RMMJ) and Perumahan Komuniti Johor (PKJ) at Taman Nusa Sentral.



2016

We secured the contract for the construction of the Project Plentong High Rise Phase 2.



2014

We secured our first contract for the construction of industrial building, the I-Synergy Business Park Project. We also secured our first contract for the construction of a serviced apartment project, Project Plentong High Rise Phase 1.



2020

Haily was incorporated on 21 February 2020 as a private limited company under the name of Haily Group Sdn Bhd. Via an internal reorganisation exercise, Haily Construction and Haily Machinery (by virtue of it being a wholly-owned subsidiary of Haily Construction) became our wholly-owned subsidiaries. Subsequently on 25 August 2020, we were converted to a public limited company to embark on the ACE Market listing on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**").



2021

Haily launched its prospectus for ACE Market listing on 30 June 2021 with the aim to raise RM20.4 million. The initial public offering (IPO) exercise involved a public issue of 30 million shares at 68 sen each.

Haily was successfully listed on the ACE Market of Bursa Securities on 21 July 2021 with its share price opening at 79 sen or 11 sen above its issue price of 68 sen.



2022

Haily Development Sdn Bhd ("**Haily Development**") was incorporated in June 2022 with its intended principal activity in property development.

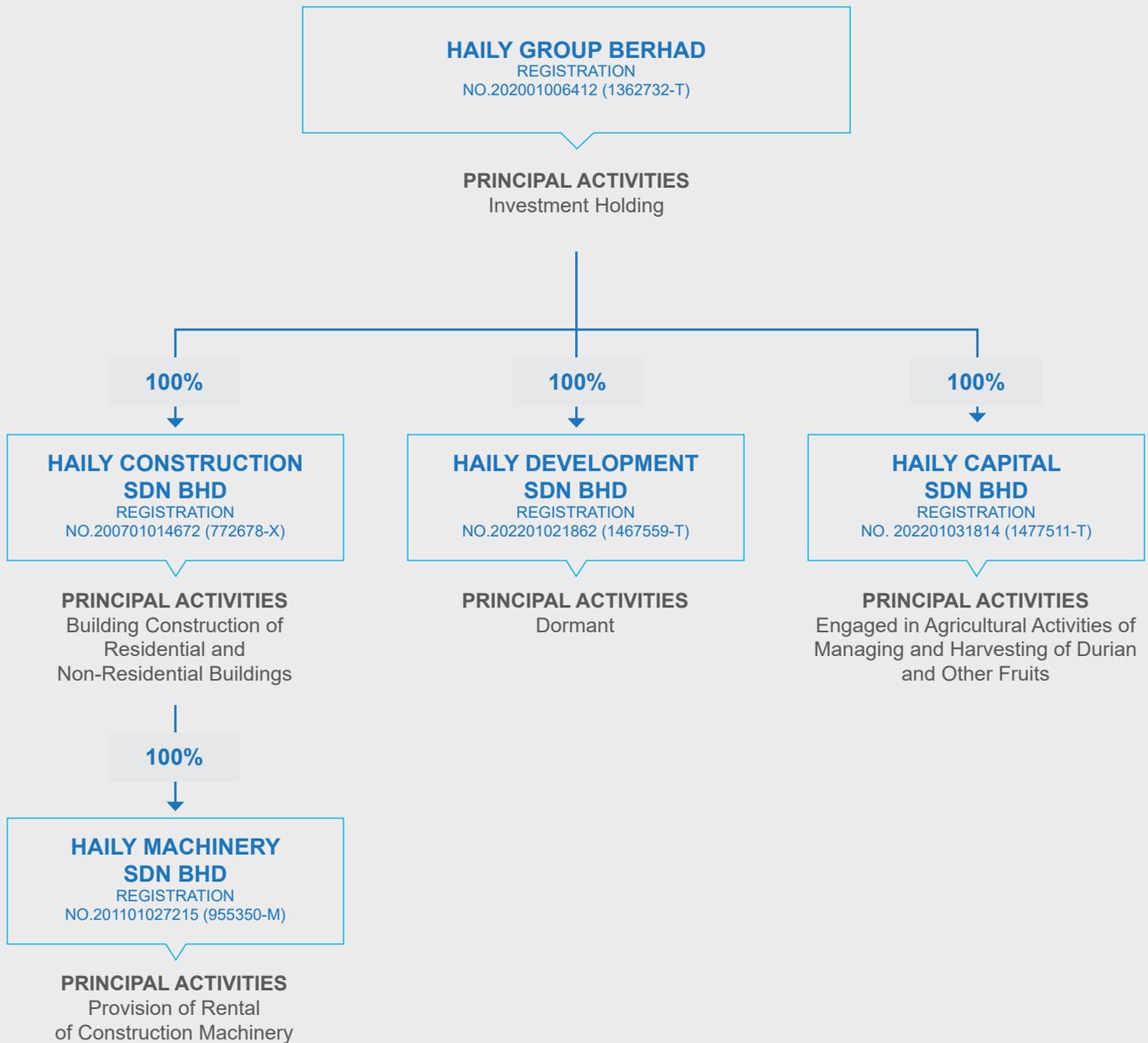
Haily Capital Sdn Bhd ("**Haily Capital**") was incorporated in August 2022 with its intended principal activities in agriculture activities, general trading and investment in properties.



2023

In January 2023, Haily Capital engaged in agricultural activities of managing and harvesting of durian and other fruits.

CORPORATE STRUCTURE

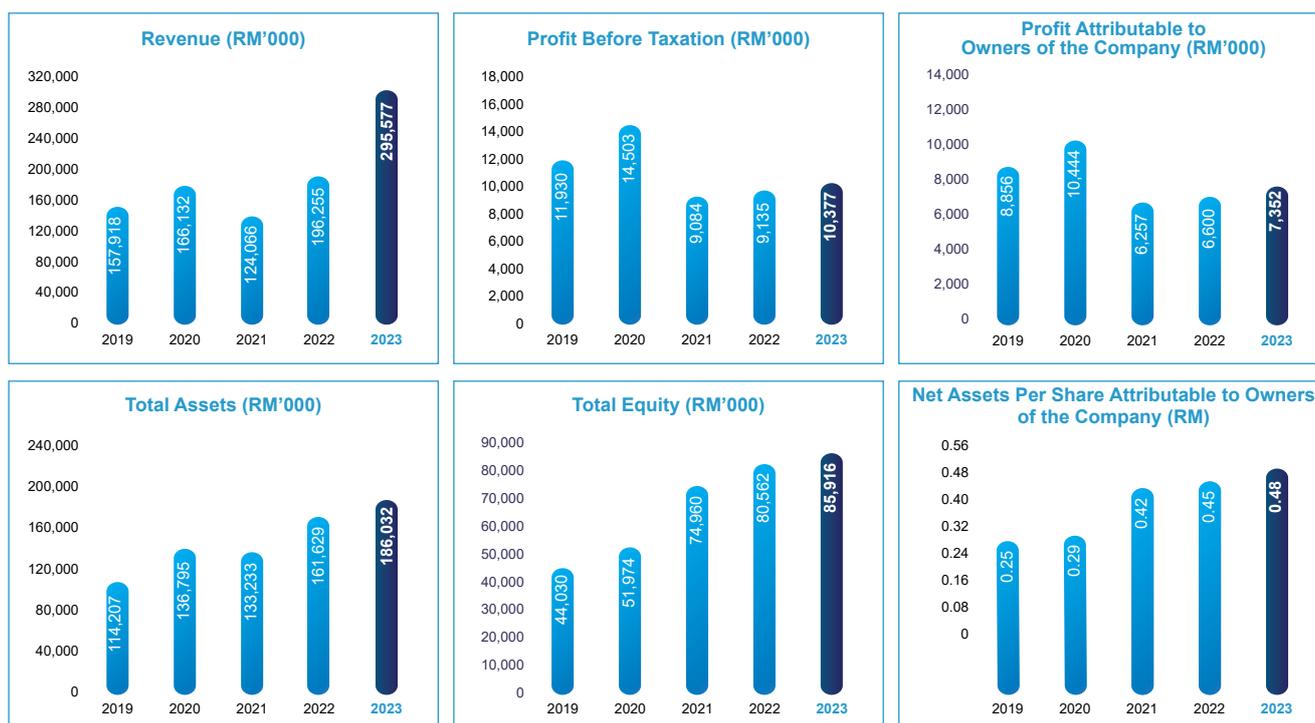


FIVE-YEARS FINANCIAL HIGHLIGHTS

Financial Year Ended 31 December (“FYE”)	2019 ⁽¹⁾ RM'000	2020 ⁽¹⁾ RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Revenue	157,918	166,132	124,066	196,255	295,577
Gross Profit	22,937	27,484	21,915	23,604	26,306
Profit Before Taxation	11,930	14,503	9,084	9,135	10,377
Profit After Taxation	8,886	10,444	6,257	6,600	7,352
Profit Attributable to Owners of the Company	8,856	10,444	6,257	6,600	7,352
Total Assets	114,207	136,795	133,233	161,629	186,032
Total Equity	44,030	51,974	74,960	80,562	85,916
Net Assets Attributable to Owners of the Company	44,030	51,974	74,960	80,562	85,916
Number of Shares after the IPO ('000)	178,321 ⁽²⁾	178,321 ⁽²⁾	178,321	178,321	178,321
Basic/Diluted Earnings per Share (sen)	4.97 ⁽³⁾	5.86 ⁽³⁾	3.87 ⁽⁵⁾	3.70 ⁽⁵⁾	4.12⁽⁵⁾
Net Assets per Share Attributable to Owners of the Company (RM)	0.25 ⁽⁴⁾	0.29 ⁽⁴⁾	0.42	0.45	0.48
Gearing Ratio (times) ⁽⁶⁾	0.04	0.15	0.03	0.09	0.09

Notes:

- (1) Based on the Accountants' Report set out in Section 13 of the Prospectus of the Company dated 30 June 2021.
- (2) To facilitate a 5 years snapshot for comparison purposes only, Number of Shares is based on the ordinary shares in issue of the Company after its Initial Public Offering (IPO).
- (3) To facilitate a 5 years snapshot for comparison purposes only, Earnings per Share is computed based on Profit Attributable to Owners of the Company divided by the number of ordinary shares in issue after its IPO.
- (4) To facilitate a 5 years snapshot for comparison purposes only, Net Assets per Share is computed based on Net Assets Attributable to Owners of the Company divided by the number of ordinary shares in issue after its IPO.
- (5) Computed based on Profit Attributable to Owners of the Company divided by the weighted average number of ordinary shares in issue during the FYE 2021 of 161.48 million Shares and FYE 2022 / FYE 2023 of 178.32 million Shares.
- (6) Gearing Ratio is calculated based on borrowings/total debts over total equity.



BOARD OF DIRECTORS ("BOARD")

See Swee Ling
Executive Director

See Tin Hai
*Founder and
Executive Director*

See Cul Wei
Executive Director

Yoong Woei Yeh
*Chief Executive Officer ("CEO")
and Executive Director*





**Haji Mohd Jaffar
Bin Awang (Ismail)**
*Independent
Non-Executive Chairman*

Tan Sui Huat
*Senior Independent
Non-Executive Director*

Ong Kheng Swee
*Independent
Non-Executive Director*

Poh Boon Huwi
*Independent
Non-Executive Director*



DIRECTORS' PROFILES

Haji Mohd Jaffar Bin Awang (Ismail)

Independent Non-Executive Chairman

Malaysian | Male | Age 71

Haji Mohd Jaffar Bin Awang (Ismail) was appointed as Independent Non-Executive Chairman of the Company on 2 September 2020.

He is not a member of any of the Company's Board Committees.

He holds a Bachelor of Social Science with Honours from Universiti Sains Malaysia and Master of Arts (South East Asian Studies) from the University of Hull, United Kingdom.

He has more than 30 years of experience in the government, serving the Johor Civil Service since January 1978 where he held the position of Mayor at Johor Bahru City Council at the time he retired in August 2011.

Currently, he is an Independent Non-Executive Director of Atlan Holdings Berhad which is listed on the Main Market of Bursa Securities. Haji Mohd Jaffar Bin Awang (Ismail) is also a director of a public company, Ang Tiong Loi Tasek Maju Charity Berhad. Save for the above, he does not hold directorship in any other public companies and listed corporations.

He does not have any family relationship with any director and/or major shareholder of the Company.

See Tin Hai

Founder and Executive Director

Malaysian | Male | Age 63

See Tin Hai was appointed as Executive Director on 21 February 2020 (upon the Company's incorporation).

He is not a member of any of the Company's Board Committees.

See Tin Hai is an entrepreneur with more than 40 years of experience in the construction industry. In 1980, he started his own business undertaking house renovation, electrical and wiring works after completing his SPM. In 2001, he invested in a building construction company and was appointed as a Director, overseeing the construction projects undertaken by the said building construction company. He subsequently resigned as a Director in March 2020 and sold his shares in the company in May 2020. With the experience gained over the years, See Tin Hai founded Haily Construction with his wife, Kik Siew Lee in May 2007 to tender and undertake construction services for property developers.

He does not hold any directorship in other public companies and listed corporations.

See Tin Hai is the father of See Swee Ling and See Cul Wei and father-in-law of Yoong Woei Yeh, all of whom are Executive Directors of the Company.

See Tin Hai has an indirect interest of 10% and 20% in Connoisseur Towers Sdn. Bhd. ("**CTSB**") and Springsphere Sdn. Bhd. ("**Springsphere**") respectively, both held through his shareholdings in Haily Holdings Sdn. Bhd. Both CTSB and Springsphere's principal activities are property development.

Other than as disclosed above, See Tin Hai does not have any situations of conflict of interest or potential conflict of interest with the Company and the Group that may arise.

DIRECTORS' PROFILES CONT'D

Yoong Woei Yeh

CEO and Executive Director

Malaysian | Male | Age 45

Yoong Woei Yeh was appointed as Executive Director on 21 February 2020 (upon the Company's incorporation) and was subsequently appointed as CEO of the Company on 2 September 2020.

He is not a member of any of the Company's Board Committees.

He holds a Bachelor of Engineering (Civil) from Universiti Teknologi Malaysia (UTM). He is also a graduate member of the Institute of Engineers Malaysia and the Board of Engineers Malaysia.

Yoong Woei Yeh started his career as a site engineer in June 2002 upon graduation from UTM and had served in various key positions in several construction companies before joining Haily Construction in February 2009 as Project Engineer. He rose by the ranks and was appointed as a Director of Haily Construction in April 2012 and was promoted to the position of CEO of Haily Construction in May 2019.

He does not hold any directorship in other public companies and listed corporations.

Yoong Woei Yeh is the son-in-law of See Tin Hai, spouse of See Swee Ling and brother-in-law of See Cul Wei, all of whom are Executive Directors of the Company.

Yoong Woei Yeh's brother, Yoong Weoi Yuen is a director with equity interest of 70% (direct) in D Season Sdn. Bhd., a company with principal activities of managing and harvesting durian and other fruit trees on farms located in the District of Raub in the State of Pahang.

Other than as disclosed above, Yoong Woei Yeh does not have any situations of conflict of interest or potential conflict of interest with the Company and the Group that may arise.

See Swee Ling

Executive Director

Malaysian | Female | Age 38

See Swee Ling was appointed as Executive Director of the Company on 2 September 2020.

She is not a member of any of the Company's Board Committees.

She holds a Bachelor of Arts in Accounting & Finance from the University of East London.

Upon graduation in 2009, See Swee Ling was invited by her father, See Tin Hai who is the founder of Haily Construction to develop her career with Haily Construction. She joined Haily Construction as an Accounts Assistant in September 2009, and rose by the ranks and was appointed as Director of Haily Construction in April 2012.

She does not hold any directorship in other public companies and listed corporations.

See Swee Ling is the daughter of See Tin Hai, spouse of Yoong Woei Yeh and sister of See Cul Wei, all of whom are Executive Directors of the Company.

DIRECTORS' PROFILES CONT'D

See Cul Wei

Executive Director

Malaysian | Female | Age 30

See Cul Wei was appointed as Executive Director of the Company on 25 May 2022.

She is not a member of any of the Company's Board Committees.

She holds a Bachelor of Science (Honours) in Architecture from Taylor's University and Master of Arts (M.A.) from Anhalt University of Applied Sciences, Dessau in Germany.

Upon graduation in 2020, See Cul Wei joined a professional architecture firm as a Project Architect until she resigned in November 2021. She joined Haily Construction in January 2022 as an Assistant Project Manager and was subsequently promoted to the position of Head of Contract & Business Development in May 2022.

She does not hold any directorship in other public companies and listed corporations.

See Cul Wei is the daughter of See Tin Hai, sister of See Swee Ling and sister-in-law of Yoong Woei Yeh, all of whom are Executive Directors of the Company.

Tan Sui Huat

Senior Independent Non-Executive Director

Malaysian | Male | Age 68

Tan Sui Huat was appointed as Independent Non-Executive Director of the Company on 2 September 2020.

He is currently the Chairman of the Nominating Committee and a member of the Remuneration Committee as well as the Audit and Risk Management Committee of the Company.

Tan Sui Huat holds a Bachelor of Laws from University of London, United Kingdom. He was admitted to the Honourable Society of Lincoln's Inn and was called to the English Bar as a Barrister-At-Law. In July 1984, Tan Sui Huat was admitted as an Advocate and Solicitor of the High Court of Malaya after completing his pupillage. He commenced his legal career in July 1984 and served with several law firms before joining K H Koh, Azhar & Koh ("**K H Koh**").

He is currently the Managing Partner at K H Koh and is also a member of the Disciplinary Committee of the Advocates & Solicitors Disciplinary Board.

He does not hold any directorship in other public companies and listed corporations.

He does not have any family relationship with any director and/or major shareholder of the Company.

DIRECTORS' PROFILES CONT'D

Ong Kheng Swee

Independent Non-Executive Director

Malaysian | Male | Age 66

Ong Kheng Swee was appointed as Independent Non-Executive Director of the Company on 2 September 2020.

He is currently the Chairman of the Audit and Risk Management Committee and a member of the Nominating Committee as well as the Remuneration Committee of the Company.

He is a Fellow of the Association of Chartered Certified Accountants of United Kingdom, a Chartered Accountant of the Malaysian Institute of Accountants (MIA) and a Fellow of the Malaysian Institute of Taxation.

Ong Kheng Swee held various senior positions in both the professional sector (having worked with two major international accounting firms) and in the commercial sector, including as Chief Financial Officer (“CFO”). He had previously served as an Executive Director cum CFO of an automotive components distribution company listed on the Main Market of Bursa Securities until February 2020 when he left to pursue his interest in management consulting and advisory.

He is currently a Non-Independent Non-Executive Director of Power Root Berhad which is listed on the Main Market of Bursa Securities. Save for the above, he does not hold directorship in any other public companies and listed corporations.

He does not have any family relationship with any director and/or major shareholder of the Company.

Poh Boon Huwi

Independent Non-Executive Director

Malaysian | Female | Age 69

Poh Boon Huwi was appointed as Independent Non-Executive Director of the Company on 24 November 2021.

She is currently the Chairman of the Remuneration Committee and a member of the Nominating Committee as well as the Audit and Risk Management Committee of the Company.

She holds a Bachelor of Commerce from the University of Otago, New Zealand and is a Chartered Accountant of the Malaysian Institute of Accountants (MIA).

Poh Boon Huwi started her career in New Zealand in January 1980 as an Assistant Accountant and she returned to Malaysia to work in an accounting firm in September 1981. Since 1984, she has held various key positions in the internal audit department of several banking groups until her retirement in January 2012.

Currently, she is assisting in the management of her family's oil palm plantation business and other investments.

She does not hold any directorship in other public companies and listed corporations.

She does not have any family relationship with any director and/or major shareholder of the Company.

Competition / Conflict of Interest

Save as disclosed above, none of the directors has been involved in any business which will give rise to competition/ conflict with the current business of the Group during the financial year and up to the date of this Report.

Conviction for Offences

None of the directors has any convictions for offences within the past 5 years (other than traffic offences, if any) or subject to public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KEY SENIOR
MANAGEMENT



Long Cheow Siong
Chief Financial Officer
("CFO")



Lim Kok Siang
Chief Operating Officer
("COO")



KEY SENIOR MANAGEMENT'S PROFILES

Long Cheow Siong

CFO

Malaysian | Male | Age 59

Long Cheow Siong was appointed as CFO of the Company on 2 September 2020.

He is not a member of any of the Company's Board Committees.

He is a Certified Public Accountant (CPA) of the Malaysian Institute of Certified Public Accountants (MICPA) and a Chartered Accountant of the Malaysian Institute of Accountants (MIA). He holds a Master of Business Administration (MBA) from the University of Heriot-Watt.

Long Cheow Siong has held various senior positions in the professional and commercial sectors. He started his career in 1985 with a major international accounting firm with the view to qualify as a CPA. He left in December 1990 and served as the Senior Manager in Accounts and Services of a property development company listed on the Main Market of Bursa Securities. In July 2007, he joined a company with diversified businesses as a CFO and subsequently, he was promoted to Chief Operating Officer ("COO") and at the same time appointed as General Manager of a hotel owned by the said group. Long Cheow Siong left employment in early 2018 to pursue his own consultancy practice before joining Haily Construction as CFO in April 2019.

He does not hold any directorship in other public companies and listed corporations.

He does not have any family relationship with any director and/or major shareholder of the Company.

Lim Kok Siang

COO

Malaysian | Male | Age 46

Lim Kok Siang was appointed as COO of the Company on 2 September 2020.

He is not a member of any of the Company's Board Committees.

He holds a Diploma in Quantity Surveying and a Bachelor of Science (Building) from Universiti Teknologi Malaysia (UTM) as well as a Master of Business Administration (MBA) from the UNITAR International University.

Lim Kok Siang started his career in May 2001 and has held various key positions in several construction and property development companies before joining Haily Construction in April 2010 as Contract Executive. He was promoted to Contract Manager in July 2011 before being appointed as COO of Haily Construction in May 2019.

He does not hold any directorship in other public companies and listed corporations.

He does not have any family relationship with any director and/or major shareholder of the Company.

Competition / Conflict of Interest

During the financial year and up to the date of this Report, none of the key senior management (whom are not executive directors) has been involved in any business which will give rise to competition/conflict with the current business of the Group.

Conviction for Offences

None of the key senior management (whom are not executive directors) has any convictions for offences within the past 5 years (other than traffic offences, if any) or subject to public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

MANAGEMENT DISCUSSION AND ANALYSIS

Dear Valued Shareholders,

On behalf of the Board of Directors of Haily, I am pleased to present our review of the financial and operational performance of our Group for the financial year ended 31 December 2023.

Yoong Woei Yeh
CEO and Executive Director



INTRODUCTION

Despite a challenging economic and business environment, our Group managed to attain commendable progress in both the financial and operational performance during the financial year ended 31 December 2023 (“**FYE 2023**”).

For 2023, the growth for the Malaysian economy normalised to 3.7% following a strong 8.7% registered for the previous year with the reopening of the economy starting in 2022. Growth moderated amid a challenging external environment due to the slower global trade, the global tech downcycle, geopolitical tensions and tighter monetary policies.

For the construction sector, it remained on a positive trajectory trend with the construction work done in 2023 reaching a total value of RM132.2 billion, demonstrating a continuous positive momentum at 8.4% after turning around in the 2022 with 8.8% growth. Nevertheless, the construction sector continues to grapple with issues of escalation in costs of building construction owing to the disruption in supply for certain major building construction materials as well as the increase in cost of hiring of the construction labours throughout the financial year under review.

In spite of all the challenges described in the above, the Group managed to persevere and looks forward to rejuvenate its strategies and bring sustainable returns to our shareholders.

REVIEW OF OPERATIONS AND BUSINESS STRATEGIES

Our Group is principally involved in building construction of residential and non-residential buildings. As a Grade 7 main contractor registered with the Construction Industry Development Board Malaysia, our Group is responsible for the total project construction including the external built-environment covering civil works and infrastructure within the project area, as well as the physical buildings. Residential buildings consist of single and multi-dwelling buildings while non-residential buildings consist of commercial, purpose-built, industrial and institutional buildings. Other segment of our Group’s activities include civil engineering construction works, rental of construction machinery and equipment, and agricultural activities of managing and harvesting of durian and other fruits.

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

REVIEW OF OPERATIONS AND BUSINESS STRATEGIES CONT'D

TOTAL CONTRACT VALUE

RM272.14 MILLION

(FROM 13 PROJECTS AWARDED TO OUR GROUP IN THE FYE 2023)

RM80.33 MILLION

(FROM 3 PROJECTS AWARDED TO OUR GROUP FROM 1 JANUARY 2024 UP TO 19 MARCH 2024)

RM1.70 BILLION

(FROM TOTAL OF 89 PROJECTS COMPLETED BY OUR GROUP SINCE 2008 UP TO 19 MARCH 2024)

During the FYE 2023, our Group secured 11 building construction projects and 2 civil engineering construction works with total contract value of RM271.32 million and RM0.82 million respectively. Subsequent to FYE 2023 (from 1 January 2024 up to 19 March 2024), our Group secured 3 additional building construction projects with a total contract value amounting to RM80.33 million. We have a proven track record as an experienced building contractor, demonstrated by the total of 89 building construction projects completed as at 19 March 2024 with a total contract value of RM1.70 billion since 2008.

TOTAL ORDER BOOK

RM282.98 MILLION

(FROM 26 ON-GOING PROJECTS UNDERTAKEN BY OUR GROUP AS AT 19 MARCH 2024)

Our Group's revenue for the financial year ending 31 December 2024 ("**FYE 2024**") would be supported by a healthy order book of approximately RM282.98 million from a total of 26 on-going projects as at 19 March 2024, which is expected to be progressively completed between 2024 and 2025.

Our Group continues to lean on our competitive advantages and key strengths, namely:

- (i) Our established track record as an experienced building contractor in Johor;
- (ii) Our track record in providing quality construction works;
- (iii) Our ability to carry out building construction projects as a main contractor;
- (iv) Our experienced Executive Directors ("**EDs**") and key senior management; and
- (v) Our Group's on-going projects which will sustain us for the near term.

Our Group will continue to focus on our core competency in building construction in Johor, as supported by our track record of 16 years since the commencement of our business operations in 2008. While our on-going projects are mainly focused in the districts of Johor Bahru, Kulai, Pontian and Kluang, all in Johor, we intend to leverage on our experience and extend our reach to other districts in Johor and focus on construction projects involving residential, commercial and industrial buildings. Moving forward, our Group expects its performance to be continuously driven by our ability to successfully complete the on-going construction projects.

REVIEW OF FINANCIAL PERFORMANCE

Our Group's revenue is derived from 2 segments, namely the building construction and the others segments. The building construction segment comprises building construction activities of residential and non-residential buildings. The others segment is comprised of the civil engineering construction works, rental of construction machinery and equipment and agricultural activities of managing and harvesting of durian and other fruits.

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

REVIEW OF FINANCIAL PERFORMANCE CONT'D

The following table illustrates the comparison of financial highlights of our Group for the FYE 2023 and financial year ended 31 December 2022 (“FYE 2022”).

	FYE 2023 RM'000	FYE 2022 RM'000	Changes	
			RM'000	%
FINANCIAL RESULTS				
<u>Financial Indicators</u>				
Revenue	295,577	196,255	99,322	50.61
Gross profit (“GP”)	26,306	23,604	2,702	11.45
Profit before taxation (“PBT”)	10,377	9,135	1,242	13.60
Profit after taxation (“PAT”)	7,352	6,600	752	11.39
Profit attributable to owners of the Company	7,352	6,600	752	11.39
<u>Financial Ratios</u>				
GP margin (%)	8.90	12.03	(3.13)	(26.02)
PBT margin (%)	3.51	4.65	(1.14)	(24.52)
PAT margin (%)	2.49	3.36	(0.87)	(25.89)
Basic/Diluted Earnings per Share ⁽¹⁾ (sen)	4.12	3.70	0.42	11.35
Dividend per Share ⁽²⁾ (sen)	1.24	1.12	0.12	10.71
FINANCIAL POSITION				
<u>Financial Indicators</u>				
Total assets	186,032	161,629	24,403	15.10
Total liabilities	100,116	81,068	19,048	23.50
Net assets (“NA”)	85,916	80,562	5,354	6.65
Net current assets	77,350	73,683	3,667	4.98
Borrowings	8,063	6,995	1,068	15.27
Cash and cash equivalents	9,009	19,854	(10,845)	(54.62)
<u>Financial Ratios</u>				
Current ratio	1.79	1.92	(0.13)	(6.77)
Gearing (times)	0.09	0.09	-	-
NA per share ⁽³⁾ (sen)	48.18	45.18	3.00	6.64

Notes:

- (1) Calculated based on the profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the FYE 2022 and FYE 2023 of 178.32 million shares.
- (2) Calculated based on the dividends declared and distributed for the FYE 2022 and FYE 2023 of RM2.00 million and RM2.21 million respectively divided by the weighted average number of ordinary shares in issue during the respective financial years.
- (3) Calculated based on the Company’s issued share capital as at 31 December 2023 of 178,320,700 shares (31 December 2022: 178,320,700 shares).

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

REVIEW OF FINANCIAL PERFORMANCE CONT'D

For the FYE 2023, our Group's revenue was mainly attributable to our building construction activities which contributed 99.47% of our Group's total revenue. Our Group's segment breakdown for revenue for the FYE 2023 and FYE 2022 are as follows:

	FYE 2023		FYE 2022		Changes	
	RM'000	%	RM'000	%	RM'000	%
Building construction	294,018	99.47	195,741	99.74	98,277	50.21
Others	1,559	0.53	514	0.26	1,045	203.31
Total	295,577	100.00	196,255	100.00	99,322	50.61

For the FYE 2023, our Group reported a higher revenue of RM295.58 million, representing an increase of RM99.32 million or 50.61% as compared to RM196.26 million registered for the FYE 2022. The increase in revenue was mainly attributable to the increase in revenue recognised from our Group's building construction segment which increased from RM195.74 million for the FYE 2022 to RM294.02 million for the FYE 2023, representing an increase of RM98.28 million or 50.21%. The increase is mainly due to revenue of approximately RM103.88 million recognised from on-going projects commenced by our Group during the FYE 2023, namely: -

- (i) 283 DSTH Meridin East – Parcel 1C Project of RM22.17 million;
- (ii) 77 TSSO Bandar Jaya Putra Project of RM26.16 million;
- (iii) 262 DSTH Gelang Patah Project of RM24.15 million;
- (iv) 186 SSTH Bandar Putra Project of RM15.20 million;
- (v) Indahpura Food Court – Building Works Project of RM1.45 million;
- (vi) 170 DSCH Mutiara Maju Project of RM12.47 million; and
- (vii) 327 DSTH Meridin East – Parcel 2G Project of RM2.28 million.

In addition, the increase in revenue for the building construction segment is also attributed to the increase in percentage of completion recognised in the FYE 2023 in relation to our Group's on-going construction projects totalling approximately RM63.46 million, namely: -

- (i) 147 DSTV Aurora Sentral Project which reported an increase in revenue from RM18.13 million for the FYE 2022 to RM29.13 million for the FYE 2023, representing an increase of RM11.00 million or 60.65%;
- (ii) Aurora Sentral Clubhouse Project which reported an increase in revenue from RM2.60 million for the FYE 2022 to RM5.15 million for the FYE 2023, representing an increase of RM2.55 million or 97.65%;
- (iii) 66 DSTH Kluang Project which reported an increase in revenue from RM8.60 million for the FYE 2022 to RM12.83 million for the FYE 2023, representing an increase of RM4.23 million or 49.26%;
- (iv) 176 SSTH Taman Impian Emas Project which reported an increase in revenue from RM11.70 million for the FYE 2022 to RM13.79 million for the FYE 2023, representing an increase of RM2.09 million or 17.92%;
- (v) 99 TSSO Bandar Jaya Putra Project which reported an increase in revenue from RM8.18 million for the FYE 2022 to RM30.94 million for the FYE 2023, representing an increase of RM22.76 million or 278.11%;

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

REVIEW OF FINANCIAL PERFORMANCE CONT'D

- (vi) 121 DSTV Aurora Sentral Project which reported an increase in revenue from RM15.27 million for the FYE 2022 to RM24.57 million for the FYE 2023, representing an increase of RM9.30 million or 60.95%; and
- (vii) 108 DSTH Meridin East – Parcel 2H3 Project which reported an increase in revenue from RM2.25 million for the FYE 2022 to RM13.78 million for the FYE 2023, representing an increase of RM11.53 million or 513.40%.

The increase in revenue above was partially offset by the decrease in revenue of an approximate total amount of RM70.47 million due to the reduction in percentage of completion recognised in the FYE 2023 for our Group's completed and on-going building construction projects, namely: -

- (i) 264 DSTH Bandar Jaya Putra Project which reported a decrease in revenue by RM1.32 million as the project was completed in April 2022;
- (ii) 185 DSTH Meridin East – Parcel 1I Project which reported a decrease in revenue by RM1.08 million as the project was completed in May 2022 and December 2022 for Section 1 and Section 2 respectively;
- (iii) AME Dormitory Project which reported a decrease in revenue by RM9.55 million as the project was completed in July 2022;
- (iv) Bandar Jaya Putra Project which reported a decrease in revenue by RM17.50 million as the project was completed in July 2023 and also due to the reduced percentage of completion recognised during the financial year under review;
- (v) 122 DSTH Bandar Putra Project which reported a decrease in revenue by RM8.75 million as the project was completed in April 2023 and also due to the reduced percentage of completion recognised during the financial year under review;
- (vi) 217 DSTH Mutiara Maju Project which reported a decrease in revenue by RM11.38 million as the project was completed in December 2023 and also due to the reduced percentage of completion recognised during the financial year under review;
- (vii) 159 SSTH Taman Impian Emas Project which reported a decrease in revenue from RM14.23 million in the FYE 2022 to RM6.24 million in the FYE 2023, representing a decrease of RM7.99 million or 56.17% due to the reduced percentage of completion recognised during the financial year under review;
- (viii) 155 DSTH Meridin East – Parcel 2H1 Project which reported a decrease in revenue from RM12.51 million in the FYE 2022 to RM10.35 million in the FYE 2023, representing a decrease of RM2.16 million as the project was completed in October 2023 and also due to the reduced percentage of completion recognised during the financial year under review;
- (ix) 216 PKJ Bandar Putra Project which reported a decrease in revenue from RM10.53 million in the FYE 2022 to RM3.45 million in the FYE 2023, representing a decrease of RM7.08 million or 67.21% due to the reduced percentage of completion recognised during the financial year under review;
- (x) Senibong Steamboat Restaurant Project which reported a decrease in revenue by RM2.09 million as the project was completed in May 2022; and
- (xi) Indahpura Food Court – Infrastructure Work Project which reported a decrease in revenue by RM1.57 million as the project was completed in November 2022.

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

REVIEW OF FINANCIAL PERFORMANCE CONT'D

However, our Group's GP margin declined to 8.90% for the FYE 2023 as compared to 12.03% for the FYE 2022 mainly due to the increase in building construction costs arising from the hikes in prices of building construction materials as well as the higher labour cost. In line with the increase in revenue, our Group's GP increased from RM23.60 million for the FYE 2022 to RM26.31 million for the FYE 2023, representing an increase of RM2.71 million or 11.45%.

Consequently, PBT increased from RM9.14 million for the FYE 2022 to RM10.38 million for the FYE 2023, representing an increase of RM1.24 million or 13.60%. As compared to the PAT of RM6.60 million for the FYE 2022, our Group registered a PAT of RM7.35 million for the FYE 2023, representing an increase of RM0.75 million or 11.39%.

Our Group's total assets increased from RM161.63 million as at 31 December 2022 to RM186.03 million as at 31 December 2023, representing an increase of RM24.40 million or 15.10%. This was mainly due to the increase in trade and other receivables by RM13.84 million from RM80.22 million as at 31 December 2022 to RM94.06 million as at 31 December 2023. This was in line with the increase in revenue recognised for the FYE 2023 as well as the collections from the amounts due from customers. In addition to the above, contract assets increased by RM18.26 million from RM47.40 million as at 31 December 2022 to RM65.66 million as at 31 December 2023. The increase in the contract assets mainly arose from the progress of our Group's on-going construction projects. The above was partially offset by the decrease in cash and short-term deposits by RM10.98 million from RM26.39 million as at 31 December 2022 to RM15.41 million as at 31 December 2023.

Our Group's total liabilities increased from RM81.07 million as at 31 December 2022 to RM100.12 million as at 31 December 2023, representing an increase of RM19.05 million or 23.50%. This was mainly due to the increase in the trade and other payables by RM20.09 million from RM70.61 million as at 31 December 2022 to RM90.70 million as at 31 December 2023. This was in line with the increase in the cost of sales from RM172.65 million for the FYE 2022 to RM269.27 million for the FYE 2023 as well as the payment made for the amounts due to the sub-contractors and suppliers. Our Group's borrowings also increased from RM7.00 million as at 31 December 2022 to RM8.06 million as at 31 December 2023, representing an increase of RM1.06 million mainly due to drawdown of loan facilities to finance our Group's working capital for our on-going construction projects. Our Group's gearing ratio is maintained at a healthy level at 0.09 times as at 31 December 2022 and 31 December 2023.

Our Group's NA improved from RM80.56 million as at 31 December 2022 to RM85.92 million as at 31 December 2023 in line with the PAT registered by our Group for the FYE 2023 of RM7.35 million and after the payment of dividends totalling RM2.00 million during the financial year under review.

A summary of our Group's cash flow position for the FYE 2023 and FYE 2022 is illustrated below:

	FYE 2023	FYE 2022
	RM'000	RM'000
Net cash used in operating activities	(4,715)	(5,762)
Net cash used in investing activities	(4,082)	(2,430)
Net cash used in financing activities	(2,048)	(2,078)
Net decrease in cash and cash equivalents	(10,845)	(10,270)
Cash and cash equivalents at the beginning of the financial year	19,854	30,124
Cash and cash equivalents at the end of the financial year	<u>9,009</u>	<u>19,854</u>

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

REVIEW OF FINANCIAL PERFORMANCE CONT'D

Our Group's net cash used in operating activities decreased from RM5.76 million for the FYE 2022 to RM4.72 million for the FYE 2023. However, our Group's net cash used in investing activities increased from RM2.43 million for the FYE 2022 to RM4.08 million for the FYE 2023 mainly due to changes in other investments and pledged deposits which increased by RM1.23 million and RM0.57 million respectively which were disbursed in line with the increase of our Group's borrowings. Our Group's net cash flow used in financing activities decreased marginally from RM2.08 million for the FYE 2022 to RM2.05 million for the FYE 2023. Resulting therefrom, our Group's net decrease in cash and cash equivalents for the FYE 2023 was RM10.85 million. As at the date of this report, our Board and management have no plans or commitment for any major capital expenditure which would have a significant effect on the future cash flows.

Our Group's net current asset position for the financial year under review remains healthy and showed an improvement from RM73.68 million as at 31 December 2022 to RM77.35 million as at 31 December 2023, representing an increase of RM3.67 million or 4.98%. Based on the above, our Board believes that our Group has sufficient working capital resources for our existing and foreseeable requirements for the remaining period of the FYE 2024.

KEY RISK FACTORS

(i) The continuity of increasing our order book is not assured and any significant decline in our order book will adversely affect our long-term sustainability and growth

Our principal business is in the construction of residential and non-residential buildings. As the nature of our construction business is project-based, there is no assurance that we are able to continuously secure new projects, nor any assurance that new projects secured will be on commercial terms favourable to us. In our industry, it is common for jobs to be awarded based on competitive bidding, and as such, we have to bid competitively for every contract that we wish to secure. There is a risk we may not be able to secure every contract that we tender for. Our financial performance depends on our ability to secure new projects to sustain our order book. Any significant decline in our order book will materially and adversely impact our sustainability, growth potential and future financial performance.

During the FYE 2023, our Group secured 13 new contracts with a total contract value of RM272.14 million. Subsequent to FYE 2023 (from 1 January 2024 up to 19 March 2024), our Group secured 3 additional new contracts with contract value totalling RM80.33 million. As at 19 March 2024, our total unbilled order book of our on-going construction projects is RM282.98 million and our Group expects that the unbilled order book to be progressively recognised in the FYE 2024 and financial year ending 31 December 2025 ("FYE 2025").

Our order book is subject to unexpected project cancellations or scope adjustments which may occur from time to time. There can be no assurance that our current order book can be continually maintained at such level in the future and there can also be no certainty that projects from our order book will not be delayed or terminated and we may face a situation of delays in securing new contracts. Any delay, cancellation or reduction in the contract value or scope of work for the projects secured in our order book, will reduce the value of our order book and revenues to be generated thereafter, which in turn may affect our long-term sustainability and business growth as well as the future financial performance of our Group.

(ii) Our business and financial performance may be affected if there are delays in completion of projects

Construction projects are subject to certain timelines and budgets. Any delays in the timeline of a project will usually result in project cost overruns, attract negative publicity and result in legal uncertainties such as potential liquidated damages claims from our customers. The timely completion of projects undertaken by us is dependent on many external factors inherent in the construction industry including, amongst others, the timely receipt of requisite licenses, permits or approvals from regulatory authorities, equipment and labour, availability of financing and satisfactory performance of subcontractors appointed, unexpected soil conditions, safety and site condition, shortage of raw materials and labour, adverse weather conditions and adverse changes to government policies (e.g. change in foreign labour policies). Any adverse developments in respect of these factors can lead to interruptions or delays in completing a project, which may result in our customers imposing liquidated damages on us that could affect our profitability and cash flows.

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

KEY RISK FACTORS CONT'D

(iii) We are dependent on the services and quality of our subcontractors' and our consultants' works

We usually engage subcontractors to carry out different parts of our construction activities such as building works, mechanical and electrical works, external and fencing work as well as specialised trade work such as, painting and coating, roofing, waterproofing, landscaping and infrastructure works. We may also engage third party consultants to carry out specialist work scopes such as structural designs and surveying works for our projects. Subcontractors are appointed following the shortlisting of candidates based on the project requirements, assessment of quotations submitted by the candidates, as well as our past working experiences and relationship with the candidates. Upon negotiation of pricing, scope of works and the bills of quantities, we will issue letters of award to the subcontractors.

We are subject to risks associated with non-performance, late performance and poor performance by our subcontractors. If our subcontractors or consultants fail to perform their duties, or are unable to deliver their services in a timely manner, or deliver substandard work to us, we may be subject to defects liability claims from our customers, or liquidated damages arising from delay in completion of our projects. Any faults in the technical or design standards by our third-party consultants may also cause material delay or interruption to the implementation and completion of our projects. We may be susceptible to risks of our customers claiming against our performance bond (if any), or legal liabilities arising from such defects or substandard works.

(iv) Shortages of construction materials, fluctuation in construction material prices and any unanticipated increases in costs associated with our construction projects may impair our financial performance

Shortages of construction materials and any increase in the cost of construction for our projects may have a material adverse impact on our business and financial performance. Our construction materials consist mainly of concrete and cement materials, steel-based materials, brickwork materials and tiles, timber and plywood, doors, windows and other related construction materials required in our construction activities. Thus, we are dependent on the continuous supply of such materials which are sourced from suppliers in Malaysia.

Our construction materials are price sensitive, and we face the risk of obtaining sufficient quantities of construction materials at competitive prices. Our construction materials such as steel and cement materials are subject to global market price fluctuations and if such materials are imported by our suppliers, will be subject to foreign currency fluctuations. Furthermore, contracts with our customers generally do not cater for such price fluctuations of construction materials, as such, we are exposed to the risk of price fluctuations.

In view of the above, our cash flows and profitability are dependent on our ability to accurately estimate the cost associated with our projects, which are dependent on a variety of factors, amongst others, such as conditions at the construction sites, contagious diseases, cost of construction materials and labour and delay in the availability of financing. These variations may cause actual gross profit for a project to differ from those original estimates which may result, in certain contracts having lower profit margins than anticipated or losses if actual contract exceeds its estimates, and thereafter, would reduce our profitability, cash flows, liquidity and impact our financial performance negatively.

(v) We depend on our key senior management for our continued success

We believe that our continued and future success largely depends on our continued ability to hire, develop, motivate and retain qualified personnel such as our EDs and key senior management for their experience, expertise and efforts to support our business activities and provision of quality construction projects to our customers. Having an experienced key management team is vital to maintain the quality of our construction projects whilst retaining the business confidence of our customers. If we lose the services of our EDs and/or key senior management, and are unable to find suitable and timely replacements, our business performance and prospects will be materially and adversely affected.

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

KEY RISK FACTORS CONT'D

(v) We depend on our key senior management for our continued success CONT'D

The loss of any of our EDs and/or key senior management and the ensuing impact arising from transition in key senior management functions or discontinuity in knowledge transfer, could have a material adverse effect on our business operations, performance and prospects.

(vi) Geographical concentration in the districts of Johor Bahru, Kulai, Pontian and Kluang in Johor

Since commencement of our business in 2008, our building construction projects were focused in the districts of Johor Bahru, Kulai, Pontian and Kluang, all in Johor. We will continue to carry out building construction jobs in Johor supported by our track record of 16 years. As at 19 March 2024, our total unbilled order book of our on-going construction projects is RM282.98 million and our Group expects that the unbilled order book to be progressively recognised in the FYE 2024 and FYE 2025.

We are currently focusing on geographical growth and expansion in the state of Johor. While we believe that there are still significant opportunities to grow our construction business in Johor, we may be exposed to a slowdown in our target market in the Johor state. Further, although we intend to expand our coverage to reach other districts in Johor, there is no assurance that our new venture will be profitable and contribute to the growth of our construction business.

PROSPECTS AND OUTLOOK

"The Malaysian economy expanded by 3.7% in 2023. Moving forward, growth is expected to improve in 2024 driven by the recovery in exports and resilient domestic expenditure. Export growth is turning positive after contracting since March 2023 and will continue to be supported by stronger global trade. Tourist arrivals and spending are poised to rise further. Continued employment and wage growth remain supportive of household spending. Investment activity would be supported by the ongoing progress of multi-year projects in both the private and public sectors, the implementation of catalytic initiatives under the national master plans, as well as the higher realisation of investments. The growth outlook is subject to downside risks stemming from weaker-than-expected external demand and larger declines in commodity production. Meanwhile, the upside risks to growth mainly emanate from greater spillover from the tech upcycle, more robust tourism activity and faster implementation of existing and new projects" (Source: *Bank Negara Malaysia's Monetary Policy Statement, March 2024*).

"For the seventh quarter, the Construction sector remained on a positive trajectory, registering an increase of 6.8 per cent to reach RM34.1 billion of work done value in the fourth quarter of 2023 (Q3 2023: 9.6%; RM33.4 billion). The private sector continued as the main contributor with the value of work done of RM20.3 billion or encompassing 59.5 per cent of the overall value in this quarter. Nevertheless, the growth moderated to 1.4 per cent as compared to 8.6 per cent recorded in the previous quarter. Nearly 60.3 per cent of the work done value in the fourth quarter of 2023 was concentrated in Selangor, Wilayah Persekutuan (Kuala Lumpur, Putrajaya and Labuan), Sarawak and Johor. The Construction value in Selangor amounted to RM8.6 billion or 25.1 per cent. Meanwhile, Wilayah Persekutuan ranked second with value of RM4.0 billion or 11.8 per cent. Additionally, both Sarawak and Johor recorded a work value of RM4.0 billion" (Source: *Department of Statistics Malaysia's Construction Statistics, Fourth Quarter 2023*).

Our Group will continue to focus on its core competency in building construction in the districts of Johor Bahru, Kulai, Pontian and Kluang as well as expanding into other districts in Johor and focus on construction projects involving residential, commercial and industrial buildings.

Our Board is cognisant of our Group's exposure to the risk factors as mentioned. Further, the Board notes that the Malaysian economy is expected to trend higher in 2024, lifted by the recovery in exports and resilient domestic expenditure and further supported by improvement in tourist arrivals and spending as well as greater investment activities.

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

PROSPECTS AND OUTLOOK CONT'D

Moving forward, our Group expects our performance to be continuously driven by our ability to successfully complete the on-going construction projects. We are constantly on the lookout for new opportunities to secure new construction projects. Based on our existing order book, we are positive on our prospects for the coming year as we anticipate that the Malaysian economy will continue to recover despite the on-going uncertainties in the global economy and political affairs, and our Group remains steadfast and resolute to take full advantage of this. We are cautiously optimistic that our financial results for the FYE 2024 will be favourable.

DIVIDENDS

For the FYE 2023, our Company has declared the following: -

- First interim single tier dividend of 0.56 sen per ordinary share on 24 August 2023 amounted to RM1.00 million which was paid on 16 October 2023 to members whose names appear in the Record of Depositors as at 22 September 2023; and
- Second interim single tier dividend of 0.68 sen per ordinary share on 27 March 2024 amounting to RM1.21 million which will be payable on 21 May 2024 to members whose names appear in the Record of Depositors as at 22 April 2024.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, we would like to convey our sincere thanks to all our shareholders, esteemed customers, bankers, sub-contractors, suppliers as well as the other business partners and associates. Our success would not have been possible without their continuous support and confidence in Haily Group.

In closing, I would like to extend my profound appreciation to my fellow colleagues on the Board for their valued contributions. Lastly but certainly not the least, I would like to record my gratitude to the management team and all the employees of the Haily Group for their continuous perseverance and unrelenting efforts and commitment in ensuring the success of our Group.

Yoong Woei Yeh

CEO and Executive Director

SUSTAINABILITY STATEMENT

Haily recognises sustainability as an integral component of its corporate values. As part of the initiative to promote sustainability, our Group is committed to creating long-term value for its stakeholders as well as preserve and improve the environment and society through our Group’s operational processes.

Being cognisant of our Group’s responsibility to be a responsible corporate citizen, our Group undertook various steps to play its part in contributing to the welfare of the society and communities in the environment where we operate. Our Group recognises that for long-term sustainability, we are required to take into account factors beyond the financial performance of our Group. Hence, our Group supports important social causes that resonate with our corporate values as well as promote a healthy work culture within the organisation.

Development of sustainable practices is a key goal for our Group to remain buoyant in today’s challenging economic environment. We believe that our economic, environmental and social (“EES”) activities will help our Group create long-term value to our stakeholders without compromising our Group’s financial performance, profitability and operational efficiencies while looking out for the needs of future generations. This goal is embedded into the vision and mission statement of Haily.

Haily endeavours to put in place coherent strategies, new ideas, policies, framework, work practices and action plans that promote and generate positive EES impacts to our Group. Haily will continue to build and strengthen relationships with all stakeholders, including our customers, sub-contractors, suppliers, employees and investors in order to achieve our corporate and sustainability goals. Thus, our Group will identify and address any material sustainability matters with the stakeholders promptly to manage risks and create opportunities to achieve our sustainability goals.

SUSTAINABILITY GOVERNANCE



The Board oversees our Group’s sustainability agenda and is assisted by the Sustainability and Risk Management Committee (“SRMC”), a sub-committee of the Audit and Risk Management Committee (“ARMC”) established for the purpose of driving the sustainability governance for our Group. The SRMC, comprising our CEO and senior management personnel, is responsible for the development of strategies suited to the sustainability agendas of our Group as well as to monitor the progress of improving sustainability processes and performances. The SRMC reports periodically to the ARMC with their sustainability and risk assessment on our Group’s practices together with recommendations on matters for improvement.

SUSTAINABILITY STATEMENT CONT'D

SUSTAINABILITY GOVERNANCE CONT'D

The key roles of the SRMC are as follows:

- To ensure that the sustainability strategy, priorities and targets of our Group are aligned with our Group's vision and mission statement and are embedded in and function effectively throughout our Group;
- To develop strategies suited to our Group's sustainability agenda and ensure that the current standing and the response to the sustainability matters of our Group remain relevant taking into consideration any changes to our Group's approach to sustainability;
- To conduct periodic review of the material sustainability matters of our Group and determine the adequacy of the response and the current status of the material sustainability matters and reporting the review results and recommendations to the ARMC for consideration;
- To provide appropriate advice and recommendations on the material risk issues, and ensure that risk management strategies, framework, policies, processes, tolerance and risk appetite are in place for the timely identification, mitigation and management of such key risks which may have material impact on our Group and provide overall direction and decisions on sustainability governance, strategy, initiatives, performance and processes; and
- To provide awareness and education on sustainability management to all levels of employees within our Group.

The Group's Sustainability Policy was approved and adopted by the Board on 24 November 2021.

ENVIRONMENTAL ASPECTS

Our Group is accountable for the impact of its business operations on the environment. We constantly review and monitor our operations to make positive contributions to the environmental, economic and social well-being of our stakeholders, employees and the broader community. Our Group plays our part in maintaining environmental sustainability through reducing wastage as well as managing and handling waste to minimise impact to the environment and preventing pollution. Generally, our Group's building construction processes do not release any hazardous emissions into the environment.

As a responsible corporate organisation, our Group regularly evaluates our operational processes for their impact on the environment. Haily endeavours to ensure our processes comply with the relevant Environmental, Health and Safety Laws and Regulations, such as the Environmental Quality Act 1974 which regulates the prevention, abatement, control of pollution and protection of the environment.

In March 2023, our Group undertook an exercise to construct foreign workers' quarters using used shipping containers at two of our building construction projects. These two undertakings were the initial phase of our initiative to reduce the environmental impact of our foreign workers' quarters that would be implemented by our Group with an allocated budget of RM1.50 million for 2023 and 2024. This approach to house our foreign workers is a proactive step in reducing the environmental impact in the course of our building construction activities. Aligned with our Group's commitment to eco-friendly and cost-effective solutions, this initiative emphasises the reuse of existing resources as well as minimizing the demand for new construction materials such as timber. The mobility and flexibility inherent in these shipping container quarters underscore our adaptability to changing work demands, enabling easy relocation and assembly at various project sites. Additionally, the durability and longevity of shipping containers ensure sustainable housing for our foreign workers, while their modular nature enables us to effortlessly provide and expand living spaces based on the evolving needs of our labour workforce. Overall, this initiative not only demonstrates our dedication to sustainable practices but also marks a significant stride towards fostering environmental consciousness within our Group.



SUSTAINABILITY STATEMENT CONT'D

ENVIRONMENTAL ASPECTS CONT'D

Our Group views it as our responsibility to ensure the protection of our environment to comply with the legal requirements on environmental matters and to continuously improve on our environmental management procedures and performance. Moving forward, our Group will continue to ensure our stakeholders' interests are taken into account with the aim of delivering sustainable environmental performance.

HUMAN RESOURCE ASPECTS

At Haily, we view our employees as valuable talents responsible for the day-to-day operations of our Group, and ensuring operational efficiency and productivity. Our Group conducts regular reviews of our workplace policies in order to ensure a conducive working environment and proper development and utilisation of our human resources. In addition, our Group also promotes workplace diversity by encouraging respect between different nationality, age, gender and ethnicity while providing equal opportunity to all employees to enhance their career development.

We believe that continuous training and development of our workforce to update their skillset will allow them to be equipped with the necessary tools to effectively perform their roles and benefit our Group in the long run. It is the responsibility of the head of departments to identify training programs relevant and suitable for the employees within their departments to better enhance their knowledge and capabilities. New employees are also given on-the-job training tailored for their respective roles under the supervision of a superior in their department. Amongst the courses attended by our employees during the FYE 2023 were:

No.	Courses attended	Organisers	Date of courses
i	Tax & Budget Webinar	Baker Tilly Malaysia	14 March 2023
ii	Will & Trust (Estate Planning)	Malaysian Institute of Accountants	20 June 2023
iii	Post Budget 2023 Tax Planning	PCS Advisory Group	7 July 2023
iv	Managing Transfer Pricing Documentation & Audit	SII Integrative Sdn Bhd	18 August 2023
v	Memahami Salahlaku, Proses Pengendalian Siasatan Domestik & Hukuman	Koperasi Sumber Manusia Johor Berhad	25 & 26 September 2023
vi	Practical Payroll Computation According to Malaysian Labour Laws	Entity Sdn Bhd	4 October 2023
vii	Tax & Budget Webinar	Baker Tilly Malaysia	1 November 2023
viii	Keeping up with Construction	Human Resource Development Sdn Bhd	23 November 2023
ix	Construction Law Seminar	Persatuan Pembina Johor	24 November 2023
x	Conflict of Interest (COI) & Related Party Transactions : Disclosure Obligations of Directors & Key Persons – What Can Seriously Go Wrong with COI if Not Adequately Dealt with	Lee Min On (freelance trainer)	6 December 2023

In view of the competitive landscape for talent and to ensure our Group's continuing success in the future, our Group's human resource planning has always included succession planning exercises as part of our Group's activities to identify and groom potential leaders. Our Group has in place a succession planning matrix and has identified personnel who can fill up the critical roles in the future. Our Group has been actively identifying and developing talents to fill up the respective key roles as and when required. As we have identified this as a risk to our business operations, our succession planning is key to ensuring the continuity of operations for each department.

SUSTAINABILITY STATEMENT CONT'D

OCCUPATIONAL HEALTH AND SAFETY

We also enforce stringent compliance requirements so that health and safety issues are not compromised. Our Group ensures compliance with Occupational Safety and Health Act 1994 which provides a regulatory framework to promote standards for safety and health at work as well as the Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004 which sets out the requirement on the method, procedure and process of notification of accident, dangerous occurrence, occupational poisoning and occupational disease. We continuously place high emphasis on health and safety issues at our headquarter and project sites. The necessary training, equipment and protective gear are provided to our employees to ensure that they are adequately protected which reduces the risk of harm or injury. Our Group endeavours to ensure a safe working environment for all employees, subcontractors, suppliers, consultants and customers alike.

Health and safety are crucial elements in all our activities, especially at our project sites. Our Group will always ensure that our deliverables meet customers' satisfaction in terms of quality and timeliness. Thus, we continue to monitor and improve our Group's health and safety performance through various programs put in place. Health and safety training and awareness programs are provided to employees to train and remind them on the importance of compliance with health and safety measures. In addition, we also periodically remind our subcontractors of the need to adhere to the relevant safety requirements at our project sites.

Our Group is of the view that robust health and safety programs help prevent workplace injuries and illnesses by striving towards achieving successful prevention of untoward workplace incidences or accidents. Besides, these programs also help our Group to ensure our compliance with the relevant laws and regulations, reduce potential costs in workers' loss time incidents and compensation premiums, better engagement with employees and sub-contractors through program activities, increase productivity of employees, improve our work environment and thus enhance the overall business operations.

We have ensured that the proper safety measures and controls are embedded into our Group's policies and frameworks to safeguard our employees, sub-contractors, suppliers and other stakeholders at our project sites against workplace health and safety risks. Amongst the efforts undertaken were as follows:

- Appointed a health and safety officer or a site safety supervisor at all our project sites to ensure health and safety laws and regulations as well as the relevant policies are complied with;
- Formalised a health and safety manual which is put in practice at our project sites and communicated to our sub-contractors and suppliers;
- Formalised a hazard identification, risk assessment and risk control framework which is utilised by management to identify and assess any potential health and safety risks at our project sites and determine the appropriate remedial methods; and
- Implemented an action timeline process for notices from the Department of Occupational Safety and Health to ensure that issues raised are attended and addressed in a timely manner.

We also require our sub-contractors and suppliers to ensure health and safety procedures are adhered to. Our Group's health and safety officers for each project site is responsible to ensure our projects are executed in compliance with the predetermined health and safety plan throughout the project duration to achieve safe project completion. Towards achieving health and safety objectives, the necessary signages were installed to remind our personnel and to raise awareness about health and safety issues at project sites.

SUSTAINABILITY STATEMENT CONT'D

OCCUPATIONAL HEALTH AND SAFETY CONT'D

Amongst the health and safety training attended by our employees during the FYE 2023 were:

No.	Courses attended	Organisers	Date of courses
i	Hazard Identification, Risk Assessment and Risk Control (HIRARC) 2.0 as a Tool for Accident Prevention Culture	UTM Unbox	8 & 9 March 2023
ii	Emergency Response Team (ERT) Training	Jabatan Bomba Dan Penyelamat Malaysia, Negeri Johor Darul Ta'zim	9-11 March 2023
iii	Safe Lifting Management (Factors & Consideration)	Jayden OSH Resources Sdn Bhd	24 & 25 June 2023
iv	Effective Occupational Safety and Health (OSH) Workplace Inspection	Shaz Safety Sdn Bhd	10 & 11 July 2023
v	Seminar Pembuangan Terjadual	Kelab Kebajikan & Sosial (Jabatan Alam Sekitar Johor)	21 August 2023
vi	QLASSIC Training	Mah Sing Group	23 & 24 October 2023
vii	Seminar Pemantapan Pelaksanaan Prosedur Environmental Impact Assessment (EIA) di Negeri Johor	Kelab Kebajikan & Sosial (Jabatan Alam Sekitar Johor)	29 November 2023
viii	OSH Principle of Prevention (OSHPoP) on Mental Health at Workplace	OMK Consultant Sdn Bhd & Malaysian Industrial Safety and Health Association (MiSHA)	19 & 20 December 2023

SOCIAL ASPECTS

Our Group continues its social role to support the local community by contributing to needy and charitable organisations with the aim of caring for the wellbeing of the society at large. Employees are encouraged to actively participate in social work and community services.



SUSTAINABILITY STATEMENT CONT'D

SOCIAL ASPECTS CONT'D

In conjunction with Hari Raya Haji, our Group hosted a community outreach program in June 2023 at the Hospital Sultan Ismail (“HSI”). Aimed at spreading love and blessing to the patients at the hospital, several of our staffs visited the orthopaedic and paediatric wards of the HSI with goodies bag and distributed them to the warded patients who were unable to celebrate Hari Raya Haji or the public holiday with their loves one comfortably at home. From this program, we hope our small gesture from the distribution of goodies bag will uplift the spirits and bring happiness to the patients and their accompanying family members.

Our Group views Corporate Social Responsibility (“CSR”) as an important avenue to embrace our responsibility as a caring and responsible corporate citizen and to encourage a positive return to the community. Thus, in years to come, our Company intends to contribute back to the community by carrying out more CSR programmes similar to that as mentioned above.

In support of sustainable social growth, our Group always promotes a working environment which gives its employees a strong sense of belonging such as: -

- (i) Monthly birthday celebrations for the headquarter’s employees;
- (ii) Hosting Durian Fiesta where all employees of our Group got together to enjoy the king of fruits;
- (iii) Celebrating special occasion with the employees such as the Haily’s 2nd Anniversary of Listing;
- (iv) Organising employees’ get-together on certain festivals such as the Christmas Gift Exchange;
- (v) Provision of meals to employees during festive seasons such as Hari Raya Puasa, Christmas and Chinese New Year; and
- (vi) Company’s annual dinner as token of appreciation to the employees for their efforts and contributions.

MARKETPLACE ASPECTS

One of our Group’s main goals is the enhancement of shareholders’ value and the maintenance of a high level of corporate governance practices without compromising on integrity and good business ethics. We believe in conducting business fairly, impartially and in full compliance with all laws and regulations. We also believe that honesty and integrity underline all of our relationships, including those with customers, sub-contractors, suppliers, business community at large and among employees. Our Group has established an employees’ Code of Conduct and Business Ethics Policy as well as Whistle Blowing Policy which provide guidance for employees to conduct themselves and an avenue for matters, such as breaches of rules and regulations, fraud or discrimination to be brought to the attention of our management in order to maintain our Group’s high level of integrity and business ethics.

Haily is committed to provide equal employment opportunities and actively inculcate the culture of job ownership, equal learning opportunities and job satisfaction to our employees. This is done with the intention of engaging them to build a cohesive team in the organisation for the long-term contribution in terms of economic benefits for our Group.

Our Group views our shareholders as an important stakeholder which contributes feedback to the Group. Our shareholders are invited to attend our Group’s Annual General Meeting and are periodically kept informed of our Group’s financial performance and position through our Company’s announcements via Bursa Securities. Up-to-date information such as our Company’s annual report, quarterly financial information, corporate information, activities and other pertinent information is made available in the Investor Relation section of our Group’s website at www.haily.my.

SUSTAINABILITY STATEMENT CONT'D

MARKETPLACE ASPECTS CONT'D

Haily takes proactive action in maintaining business sustainability through efforts in valuing its customers' satisfaction and maintaining a good relationship with sub-contractors and suppliers who are an integral part of our Group's value chain to ensure profit sustainability. This is a key success factor, especially in the era of a fast-paced business environment that our Group operates in, to enhance our Group's competitiveness by improving its operating and cost efficiency in areas focusing on our core business of building construction of residential and non-residential buildings as well as the provision of rental of construction machinery.

To further add value to our customers who are the main focus of our value chain, we constantly engage with them to keep ourselves abreast of their needs and expectations in order to deliver quality products and ensure customer satisfaction. We are ISO 9001:2015 Quality Management System Standards certified and this accreditation enhances our reputation and credibility and uphold our standards in the construction industry.

Haily also maintains strong supply chain management through building its long-term relationship with its sub-contractors and suppliers via constant engagement. Our Group maintains stringent control over the quality of its deliverables by performing the necessary assessments prior to choosing its sub-contractors and suppliers through review of profile, track record, delivery timeliness, pricing, market reputation and quality of final deliverables.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Haily is committed to ensure that the highest standards of corporate governance (“**CG**”) is observed and practiced throughout the Group as a fundamental part of discharging its duties and responsibilities in order to achieve the Group’s long-term objectives, protect and enhance shareholders’ value and safeguard the interests of stakeholders.

The Board views corporate governance as a crucial and integral part of the Group’s long term sustainability initiatives.

This CG Overview Statement is prepared in compliance with the ACE Market Listing Requirements (“**ACE LR**”) of Bursa Securities which provides shareholders and investors with an overview of the application of the principles and the practices (“**CG Practices**”) as set out in the Malaysian Code on Corporate Governance (“**MCCG**”) by the Company throughout the FYE 2023: -

- a) Principle A: Board Leadership and Effectiveness;
- b) Principle B: Effective Audit and Risk Management; and
- c) Principle C: Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.

This CG Overview Statement should be read together with the Corporate Governance Report 2023 (“**CG Report**”) of the Company which provides the details on how the Company has applied each CG Practice. Other than Practices 5.4 and 13.3, the Board is of the view that Haily has substantially applied the practices as recommended by the MCCG.

The CG Report is made available on the Company’s website at www.haily.my as well as via announcement on Bursa Securities’ website.

All references made to the Company’s website in this statement refers to www.haily.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Roles and Responsibilities of the Board

The roles and responsibilities of the Board, Chairman of the Board, EDs, CEO, Senior Independent Non-Executive Director, the members of the Board, the Board Committees, namely ARMC, Nominating Committee (“**NC**”) and Remuneration Committee (“**RC**”) (collectively “**Committees**”), are set out in the Board Charter which is made available on the Company’s website.

All Directors are expected to act with utmost integrity, lead by example, keep abreast of their responsibilities as directors and of the conduct, business activities and development of the Company. The Board assumes ultimate accountability and responsibility for the stewardship of the Group and provides leadership within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed. The powers and duties of the Directors are as set out in the Constitution of the Company and as prescribed under Sub-division 3 of Division 2 of the Companies Act 2016 including those expounded under Guidance 1.1 of the MCCG.

The Board’s responsibilities in respect of the stewardship of the Group include providing strategic leadership and business direction, development and control of the Group, management oversight, initiatives to embrace the responsibilities listed in the MCCG as well as integration of sustainability consideration in the Group’s corporate strategy, governance and decision-making in order to achieve the Group’s long-term objectives, enhance shareholders’ value and safeguard the interests of stakeholders. While the Board sets the strategic plan and policies, the CEO who is supported by the EDs and assisted by the Senior Management of the Group is responsible for making and implementing operational and corporate decisions while the Independent Non-Executive Directors (“**INEDs**”) ensure corporate accountability by providing unbiased and independent views, advice and judgement and challenging the Management’s assumptions and projections in safeguarding the interests of the shareholders.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

I. BOARD RESPONSIBILITIES CONT'D

Roles and Responsibilities of the Board CONT'D

The Board is also assisted by several Board Committees, namely the ARMC, NC and RC to assist in the execution of Board functions. The ARMC and the Board are further assisted by the SRMC (a Management level Committee) playing a pivotal oversight function as delegated by the Board. These Committees ensure greater focus, objectivity and independence in the deliberation of specific Board agendas. All Committees have written terms of reference which are available for reference on the Company's website. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The respective Chairman of these Committees would report to the Board during the Board meetings on significant and salient matters deliberated in the Committees.

Although the Board may delegate powers and responsibilities to these Committees, the Board retains ultimate accountability for discharging its duties.

The Board continuously upholds CG standards and values in the organisation and strives to lead by example in strengthening its competitiveness and instil investor confidence in the Group. In the discharge of its duties and responsibilities, the applicable CG Practices and guidances are embedded in the terms of reference of the respective Committee, the Board's Policies and the Board Charter which clearly delineate relevant matters including those reserved for the Board's approval, and those which the Board may delegate to the Committees, the CEO, the EDs and the Management.

The last review conducted by the Board on the Board Charter to ensure that it remains consistent with the Board's objectives and responsibilities was in February 2024. In November 2023, the Board reviewed and approved the Anti-Bribery and Anti-Corruption Policy and the Whistle-Blowing Policy after taking into consideration the audit outcomes and recommendation from the internal audit function. The Board with the recommendation of the ARMC had also adopted the Conflict of Interest Policy in July 2023 in line with the amendments of the ACE LR of Bursa Securities.

The Board Charter as well as the following Policies and terms of references of the Committees are made available on the Company's website: -

Policies

- Anti-Bribery and Anti-Corruption Policy
- Board Corporate Disclosure Policy
- Board's Procedures for Appointment of Directors
- Code of Conduct and Business Ethics Policy
- Continuing Education Policy
- Diversity Policy
- Remuneration Policy
- Stakeholder Communications Policy
- Whistle-Blowing Policy
- Fit and Proper Person Policy

Terms of Reference

- Audit and Risk Management Committee
- Nominating Committee
- Remuneration Committee

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

I. BOARD RESPONSIBILITIES CONT'D

Separation of Position of Chairman and Chief Executive Officer

The roles of the Chairman and the CEO are distinct and separated to ensure a balance of power and authority. The Board is headed by Haji Mohd Jaffar Bin Awang (Ismail), who is the Independent Non-Executive Chairman while the CEO is Mr Young Woei Yeh.

The Chairman is responsible for leadership, governance, orderly conduct of the Board and ensuring the effectiveness of all aspects of its role. The Chairman represents the Board to the shareholders and acts as facilitator at the meetings of the Board and ensure that no Board member dominates the discussion, appropriate discussion takes place, relevant opinion among Board members is forthcoming and decisions are arrived after due consideration.

The CEO has the executive responsibility for the day-to-day operations of the Group's business and is responsible to implement the Group's policies, strategies and decisions adopted by the Board. The CEO shall be the head of the Management of the Group and reports to the Board.

The positions of the Chairman and the CEO are separately held ensuring balance of power, accountability and division of roles and responsibilities of the Board and the Management of the Group's business and operations. The Board has developed descriptions for responsibilities of the Board Chairman and CEO.

The details of these responsibilities are articulated in the Board Charter which is made available on the Company's website.

Qualified and Competent Company Secretaries

The Board is supported by two (2) External Company Secretaries, both qualified to act as Company Secretary under Section 235 of the Companies Act 2016 and also registered as holders of the Practising Certificate issued by Suruhanjaya Syarikat Malaysia. Both the Company Secretaries are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA").

The Company Secretaries provide the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regard to the Company's Constitution, Board's policies and procedures as well as compliance with all regulatory requirements, codes, guidance and legislation.

All Directors also have full and unrestricted access to the advice and services of the Company Secretaries. The Board is regularly updated on new guidelines, directives and new regulatory issues affecting the Group by the Company Secretaries as well as external consultants. The Company Secretaries together with the EDs assist the Chairman of the Board and Chairman of Board Committees to deal with the respective agendas and to provide the relevant information and documents to Directors on a timely basis. The Board is satisfied with the support and performance rendered by the Company Secretaries in assisting the Board to discharge its duties.

The Company Secretaries attend all Board and Committee meetings and ensure the meetings are properly convened, deliberations and decisions made by the Board are accurately recorded and kept. The Company Secretaries attended relevant development and training programmes to enhance their abilities in discharging their duties and responsibilities.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

I. BOARD RESPONSIBILITIES CONT'D

Board Meeting

A corporate calendar of all scheduled meetings and planned events for the coming financial year is furnished to all Directors and the Management by the Company Secretaries normally before the start of the financial year to aid and facilitate the Directors in scheduling and meeting their time commitments.

In order to discharge their responsibilities effectively, the Board meets regularly on a quarterly basis. Additional or special Board meetings may be convened as and when necessary to consider and deliberate on any urgent proposals or matters under their purview and which requires the Board's expeditious review or consideration. Such meetings will enable the Board members to effectively assess the feasibility of the business and corporate proposals and the principal risks that may have significant impact on the Group's business or on its financial position and the mitigating factors. All Board approvals sought are supported with the relevant information and explanations required for informed decisions to be made.

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda with the supply of complete and timely information to enable the Board to discharge their responsibilities effectively and for them to make informed decisions. The Board reviews and deliberates on the Group's financial performance and results, business operations, reports of the various Committees, corporate exercises and strategic financial and investment decisions. In the intervals between Board meetings, any matters requiring urgent Board decisions and/or approvals will be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made.

The Chairman ensures that the Committees meetings are not combined with the main Board meeting. Committee meetings are conducted separately from the Board meeting to enable objective and independent discussion during the respective Committee meetings.

The deliberations and decisions at Board and Committees meetings are well documented in the minutes. The Company Secretaries will circulate the draft minutes of meetings for the Board's and Board Committees' review in a timely manner and tabled for the confirmation in the subsequent meeting.

Access to Information and Advice

The Board has unrestricted access to all information within the Group and has the authority to seek any information they require from any employee of the Group and all employees must comply with such request. All Board members have direct access to the advices and services of the Company Secretary. The Board is constantly kept informed of various requirements and updates issued by various regulatory authorities. In addition, the Board may obtain independent professional advice in furtherance of their duties whenever necessary at the Company's expense through an agreed procedure.

The Board is provided with relevant supporting information and data on operational, financial and corporate issues as well as minutes of meetings of the various Board Committees prior to the meetings to enable Directors to obtain further explanations and/or clarifications, if necessary, in order to ensure the effectiveness of the proceeding of the meetings. This information is circulated to the Board members at least seven (7) days prior to the Board meetings so as to provide the Directors with relevant and timely information to enable them to deliberate issues raised during Board meetings more effectively whilst highly sensitive corporate proposals are circulated during the meeting. Additionally, the Management is also invited to brief and provide additional information or clarification in meetings of the Board and Board Committees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

I. BOARD RESPONSIBILITIES CONT'D

Board Charter

The Board Charter is the primary document which clearly set out the roles and responsibilities of the Board, Chairman of the Board, EDs, Board Committees, CEO and individual Board members, taking into consideration all applicable laws, rules and regulations as well as the best practices. It serves as guidance to assist all Board members and outlines what is expected from them in terms of their commitment, roles and responsibilities in discharging their fiduciary duties and fulfilling their responsibilities as Board members. It serves as a reference and primary induction literature in providing Board members insight into the function of the Board of the Company. Board specific reserved matters covering areas such as strategy and business planning, finance and controls, people, compliance, support and assurance and others are entrenched in the Company's Board Charter. It also serves as a reference in the annual assessment of the Board's performance, performance of its Committees, Chairman of Board Committees, INEDs and of its individual Directors.

The last review conducted by the Board on the Board Charter to ensure that it remains consistent with the Board's objectives and responsibilities was in February 2024.

The Company's Board Charter is made available on the Company's website.

Code of Conduct and Business Ethics

The Board has formalised a Code of Conduct and Business Ethics ("**the Code**"), setting out the standards of conduct expected from Directors and employees at executive level and above (referred to as "**employees**"). The Code sets out the standards of ethical behaviour and values expected of Directors and employees and serves as a guide and reference in the course of the performance of their duties and responsibilities. The Board aims to ensure that all Directors and employees act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Board has implemented appropriate processes and systems to support, promote and ensure its compliance. The Board will periodically review the Code which is made available on the Company's website.

Whistle-Blowing Policy

The Board has adopted a Whistle-Blowing Policy ("**WBP**") which sets out the disclosure procedures and protection for whistle blowers to meet the Group's ethical obligations. Employees and stakeholders are encouraged to raise any serious concerns they have on any suspected misconduct or malpractices without fear of victimisation in a responsible manner rather than avoiding or overlooking them.

The last review conducted by the Board on the WBP was in November 2023 and is made available on the Company's website.

This Policy is administered by the ARMC with the assistance of the Management and overseen by the Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

I. BOARD RESPONSIBILITIES CONT'D

Sustainability Strategies

The Board views the commitment to promote sustainability strategies in the environmental, economic, social and governance aspects including climate-related risks and opportunities as part of its broader responsibility to all its various stakeholders and the communities in which it operates.

The Group strives to achieve a sustainable balance between meeting its business goals, preserving the environment to sustain the ecosystem and the welfare of its employees and the communities in which it operates. The Group's efforts to promote sustainable initiatives for the communities in which it operates, the environment and its employees are set out in the Sustainability Statement in this Annual Report.

II. BOARD COMPOSITION

Haily is led and managed by a diverse, competent and experienced Board of Directors with a mix of suitably qualified and experienced professionals having wide and varied expertise in the fields of accounting, finance, taxation, business, construction and law. This enables the Board to carry out its responsibilities effectively and ensures accountability. In areas where the Board has no expertise, the Board is able to seek and engage professional advice to ensure that the Board is well informed before it arrives at any decisions. The current Board is drawn from different ethnic, cultural and socio-economic background with their age ranging from 30 years to 71 years to ensure that different viewpoints are considered in the decision making process.

As at the date of this statement, the Board has eight (8) members, comprising four (4) EDs (including the CEO) and four (4) INEDs (including the Chairman of the Board).

The current Directors of the Company as at the date of this statement are as follows: -

Name of Directors	Gender	Directorate
Haji Mohd Jaffar Bin Awang (Ismail)	Male	Independent Non-Executive Chairman
See Tin Hai	Male	Executive Director
Yoong Woei Yeh	Male	CEO/Executive Director
See Swee Ling	Female	Executive Director
See Cul Wei	Female	Executive Director
Tan Sui Huat	Male	Senior Independent Non-Executive Director
Ong Kheng Swee	Male	Independent Non-Executive Director
Poh Boon Huwi	Female	Independent Non-Executive Director

This composition fulfils the requirements of Rule 15.02(1)(a) of the ACE LR of Bursa Securities which require at least two (2) directors or at least one third (1/3) of the Board members whichever is higher are independent directors as well as Practice 5.2 of the MCGG for at least half of the Board members comprising of independent directors.

Currently, three (3) members of the Board are of the female gender, which represents 37.5% of the Board's composition. This is in compliance with Rule 15.02(1)(b) of the ACE LR of Bursa Securities which requires at least one (1) woman director on the Board as well as Practice 5.9 of the MCGG for the Board to have at least 30% women Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

II. BOARD COMPOSITION CONT'D

Based on the results of the evaluation of the performance of the Board as a whole, the performance of the Board Committees and the performance of each individual Director, the NC and the Board are satisfied with the existing size, structure and composition, and are of the view that the current mix of skills, competence, knowledge and experience and qualities of the existing Board members are appropriate to enable the Board to carry out its responsibilities effectively and ensure accountability.

All the Directors of the Company do not hold more than five (5) directorships in listed issuers as required under Rule 15.06 of the ACE LR. The profile of each Director is set out in the Directors' Profiles of this Annual Report.

Independence of the Board

Having listed on the ACE Market since 21 July 2021, none of the Independent Directors has exceeded a cumulative term of more than nine (9) years in the Company as at the date of this Statement.

The Board adopted the concept of independence in tandem with the definition of the Independent Directors under Paragraph 1.01 and Guidance Note 9 of the ACE LR of Bursa Securities.

The Independent Directors provide their independent view, unbiased judgment and knowledge to the management as well as safeguarding the interests of the shareholders and do not participate in the day-to-day management of the Group.

The Board has also adopted the best practices for assessing the independence of Independent Directors annually and the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. When the Board retains an Independent Director, who has served in that capacity for more than nine (9) years, the Board would justify its decision and seek shareholders' approval.

All four (4) Independent Directors satisfy the independence test under the ACE LR of Bursa Securities. The Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company. The Independent Directors constitute at least half of the current Board structure.

Appointment to the Board

The Board is committed to upholding high standards of governance in respect of new appointments to the Board to ensure that the Directors of the Company conform with the Company's Fit and Proper Person Policy and that the Directors of the Company are comprised of those, who have the necessary skills, competencies, commitment, character, integrity and experience to complement the efficiency and effectiveness of the Board as a whole.

The Board's Fit and Proper Person Policy and procedures for appointments to the Board are viewed as a vital component of the governance process in determining the composition, size, balance, competencies and ultimately the quality and integrity of the Board.

The Company has formal and transparent procedures established for the appointment of new director(s) to the Board. The procedures for the appointment of new director(s) is made available on the Company's website.

The NC is responsible for assessing and recommending suitable candidate(s) for directorship to the Board, leveraging on several sources such as recommendation from existing Board members, Senior Management, substantial shareholders, business associates and referrals from third party consultants and independent sources such as professional bodies and organisation to gain access to wide pool of potential candidates, based on the profile and background of the candidate(s).

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

II. BOARD COMPOSITION CONT'D

Appointment to the Board CONT'D

The NC is mindful of the importance of succession planning for the members of the Board and Senior Management including formalising its stand and approach to boardroom diversity. The NC will where practicable, maintain a database of suitable and potential candidate(s) for meeting the roles identified.

Re-election of Directors

The re-election of Directors provides an opportunity for shareholders to renew their mandates conferred to the Directors.

Clause 133 of the Company's Constitution provides that all Directors shall retire by rotation once in every three (3) years or at least one-third (1/3) of the Board shall retire but shall be eligible to offer themselves for re-election at the Annual General Meeting ("AGM"). Whereas Clause 118 of the Company's Constitution provides that any Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next AGM and shall then be eligible for re-election.

The Director who is subject to re-election and/or re-appointment at the next AGM shall be assessed by the NC before recommendation is made to the Board and shareholders for the re-election and/or re-appointment.

The above provisions are adhered to by the Board. Information on Directors standing for re-election are outlined in the Profile of Directors. These include their age, gender, date of appointment, directorate, details of any board committee, directorships in other public companies and listed companies, qualification, working experience, and any conflict of interest as well as their shareholdings in the Company is set forth in the Directors' Profiles and the Analysis of Shareholdings while their attendance of the Board meetings are set forth in the CG Overview Statement of this Annual Report.

At the forthcoming 4th AGM, Mr Yoong Woei Yeh, Mr Ong Kheng Swee and Ms Poh Boon Huwi are due to retire by rotation under Clause 133 of the Company's Constitution and being eligible have offered themselves for re-election.

Following the NC's review on the performance of the Directors and having noted their significant and valued contributions to the Board, the NC had recommended their re-election to the Board and the Board had concurred with such recommendation and are recommending that the shareholders re-elect the retiring Directors at the forthcoming 4th AGM.

The Directors subject to retirement have completed their respective Declarations in accordance to the Fit and Proper Person Policy to affirm that they have fulfilled the fit and proper person criteria relating to their Probity, Personal Integrity, Reputation and Financial Integrity.

Board Diversity Policy

The Board acknowledges the importance of diversity to ensure the mix and profiles of the Board members, in terms of age, ethnicity and gender, the ability to provide the necessary range of perspectives, experiences and expertise required are well balanced in order to achieve effective board stewardship. The Board had adopted a Diversity Policy which acknowledges the importance of Board and Senior Management diversity which includes, but is not limited to skills, experience, age, cultural background and gender.

The last review conducted by the Board on the Diversity Policy was in February 2023 which is made available on the Company's website.

Currently, three (3) members of the Board are of the female gender, which represents 37.5% of the Board's composition. This is in compliance with Rule 15.02(1)(b) of the ACE LR of Bursa Securities which requires at least one (1) woman director on the Board as well as Practice 5.9 of the MCCG for the Board to have at least 30% women Directors.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

II. BOARD COMPOSITION CONT'D

Fit and Proper Person Policy

The Board had established and adopted the Fit and Proper Person Policy to ensure that the Board's quality and integrity is maintained and up to expectations. It also serves as guidance for the appointment, re-election of Directors and the appointment of key management personnel to carry out their responsibilities with full competence, character, diligence, integrity and judgement. The main objective of this Policy is to ensure that the Group is led by persons of integrity, credibility and competency as well as to enable the discharge of the responsibilities required of the position in the most effective manner.

The Company's Fit and Proper Person Policy is made available on the Company's website.

Evaluation of Board Performance

The Board through the NC evaluates the performance of the Board as a whole, the Board Committees, the individual Directors and the independence of the Independent Directors on an annual basis. The evaluation criteria and processes are in accordance with the procedure that has been established, endorsed and approved by the Board following the recommendation made by the NC. The Board evaluation process is carried out by way of peer assessment, in the form of evaluation questionnaires completed, reviewed and deliberated by the NC before its findings and recommendations were tabled to the Board.

The NC reviews the Board Composition in terms of appropriate size, required mix of skills, experiences and other qualities, including core competencies and adequacy of balance between EDs and INEDs. As part of the annual assessment of the individual Directors, the NC will review the professionalism, integrity, honesty, competency, time commitment, contribution and performance and ensure no conflict of interest arises that would impair their ability to represent the interest of the Company's shareholders and stakeholders and to fulfil the responsibilities of a director.

The evaluation of the performance of the Chairman of the Board, the Chairman of the ARMC, NC, RC and the Senior Independent Non-Executive Director was also conducted during the scheduled meeting of the NC. Each Director abstained from deliberation on his/her own evaluation.

Attendance of Board and Board Committees Meetings

The Board schedules at least four (4) meetings in a financial year with additional meetings to be convened as and when necessary. During the FYE 2023 the Board conducted five (5) Board Meetings where they deliberated and approved various reports and matters, including the quarterly financial results of the Group.

The attendance record of Directors at the Board and Board Committees meetings held during the FYE 2023 is set out below: -

Name of Directors	Attendance			
	Board	ARMC	NC	RC
Haji Mohd Jaffar Bin Awang (Ismail)	5/5	-	-	-
See Tin Hai	5/5	-	-	-
Yoong Woei Yeh	5/5	-	-	-
See Swee Ling	5/5	-	-	-
See Cul Wei	5/5	-	-	-
Tan Sui Huat	5/5	5/5	2/2	2/2
Ong Kheng Swee	5/5	5/5	2/2	2/2
Poh Boon Huwi	5/5	5/5	2/2	2/2

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

II. BOARD COMPOSITION CONT'D

Training and Development of Directors

The Board recognises that it is imperative that Directors devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes and had adopted a Board Policy on Continuing Education to set forth the elements of continuing education for Board members in addition to the initial induction process to ensure that Board members maintain and update their skills and knowledge necessary to meet their obligations. The Policy is made available on the Company's website.

The Chairman of the NC based on the annual assessment of each Director and the Training Needs Analysis approved and adopted by the Board is authorised to make recommendations for each individual Director's continuing education requirements as the NC may deem necessary or appropriate to meet the intentions and purposes of this policy.

The Directors are also encouraged to evaluate their own training needs on a continuous basis to determine and attend the relevant training programmes, seminars, briefings or dialogues to further enhance their skills and knowledge in the latest statutory and regulatory requirements as well as to keep abreast with the business development to assist them in discharging their duties and responsibilities more effectively.

During the FYE 2023, the Directors had attended the following training programmes: -

Date	Training Programmes	Name of Director
5 January 2023	Corporate Tax Strategies by Chartered Tax Institute of Malaysia	Ong Kheng Swee
11 January 2023	Malaysian Financial Reporting Standards ("MFRS")/ International Financial Reporting Standards ("IFRS") Technical Update 2023 by MIA	Poh Boon Huwi
15 February 2023	Introduction to Environmental, Social & Governance ("ESG") and Sustainable Finance by Association of Chartered Certified Accountants ("ACCA")	Ong Kheng Swee
16 March 2023	Accounting for Biological Assets: MFRS and Malaysian Accounting Standards Board Approved Accounting Standards for Private Entities ("MPERS")	Poh Boon Huwi
9 May 2023	Integrating ESG into Organisational Financial Reporting Framework by MIA	Ong Kheng Swee
13 – 14 June 2023	MIA International Accountants Conference 2023 – Future Fit Profession: Charting a Better Tomorrow	Ong Kheng Swee
17 July 2023	Sustainability and Climate Change Disclosure Requirements by MIA	Ong Kheng Swee
16 August 2023	Fraud Risk Management: Tools & Techniques by MIA	Ong Kheng Swee
30 August 2023	The ESG Agenda - An Option or a must-have for Boards of listed issuers by MIA	Ong Kheng Swee
18 September 2023	Construction Industry Development Board (CIDB) Certified Construction Project Manager Level 6 by Association of Consulting Engineers Malaysia & Mega Jati Academy Sdn Bhd	Yoong Woei Yeh
3 October 2023	Management of Cyber Risk by Ernst & Young	Ong Kheng Swee
11 October 2023	Integrating Sustainability into Financial Planning and Decision Making by ACCA	Ong Kheng Swee

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

II. BOARD COMPOSITION CONT'D

Training and Development of Directors CONT'D

Date	Training Programmes	Name of Director
17 October 2023	Fraud Risk and Enterprise Risk by MAICSA	Haji Mohd Jaffar Bin Awang (Ismail)
23 October 2023	2024 Budget Seminar by MIA	Ong Kheng Swee
30 October 2023	Board of Director Leadership – Effective Climate Governance	Poh Boon Huwi
22 November 2023	Awareness of Sustainability and ESG by JXY Consulting	Ong Kheng Swee
24 November 2023	Construction Law Seminar 2023: Claims, Disputes & Case Law Update in Construction Industry by the Chartered Institute of Building Malaysia (CIOB Malaysia) and Johor Master Builders Association (JMBA)	Yoong Woei Yeh
6 December 2023	Conflict of Interest (“COI”) and Related Party Transactions: Disclosure Obligations of Directors & Key Persons - What can seriously go wrong with COI if not adequately dealt with	Haji Mohd Jaffar Bin Awang (Ismail) See Tin Hai Yoong Woei Yeh See Swee Ling See Cul Wei Tan Sui Huat Ong Kheng Swee Poh Boon Huwi

Nominating Committee (“NC”)

The NC comprises exclusively of INEDs. The NC of the Company is chaired by the Senior Independent Non-Executive Director.

The primary responsibilities of the NC are set out in detail in its Terms of Reference which is made available on the Company’s website.

During the FYE 2023, the members of the NC were as follows:

Name of NC Members	Designation	Directorate
Tan Sui Huat	Chairman	Senior Independent Non-Executive Director
Ong Kheng Swee	Member	Independent Non-Executive Director
Poh Boon Huwi	Member	Independent Non-Executive Director

Haily is in compliance with Practice 1.4 of the MCGG whereby the Chairman of the Board, Haji Mohd Jaffar Bin Awang (Ismail) is not a member of the ARMC, NC and RC.

In compliance with the provision of Rule 15.08A(3) of the ACE LR of Bursa Securities, the activities of the NC for the FYE 2023 are set out in Practices 5.3, 5.7, 5.10 and 6.1 of the CG Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

III. REMUNERATION

Remuneration Committee (“RC”)

The RC comprises exclusively of INEDs as follows:

Name of RC Members	Designation	Directorate
Poh Boon Huwi	Chairperson	Independent Non-Executive Director
Tan Sui Huat	Member	Senior Independent Non-Executive Director
Ong Kheng Swee	Member	Independent Non-Executive Director

The RC and Board are mindful of the need to remunerate and retain its Directors and Senior Management to ensure that their commitment remains intact as well as to properly motivate, inspire and drive their performance. Their remuneration package is therefore, directly linked to their performance, service, seniority, experience and scope of responsibilities.

The RC is responsible to establish, recommend and constantly review a formal and transparent remuneration policy framework and terms of employment for the Board to attract and retain directors and Senior Management which is aligned with the business strategy and long-term objectives of the Group taking into consideration that the remuneration of the Directors and Senior Management should reflect the responsibilities, expertise and complexity of the Company’s activities.

The Board had formalised and adopted a Remuneration Policy for the Board and Senior Management to attract and retain the Directors and Senior Management required to lead and control the Group effectively. In the case of EDs and Senior Management, the components of the remuneration package are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience, seniority and level of responsibilities.

The Board as a whole will determine the remuneration of the EDs, INEDs and Senior Management, with each individual Director abstaining from deliberation and decision of their own remuneration.

The RC had reviewed the remuneration of the EDs and the Senior Management for FYE 2023 and FYE 2024 and recommended to the Board for approval whereas the Board as a whole had reviewed the Directors’ Fees for FYE 2023 and FYE 2024 payable to the INEDs and had resolved to recommend to the shareholders for consideration and approval at the 4th AGM.

The Remuneration Policy for Directors and Senior Management is made available on the Company’s website.

The details of the remuneration and benefits paid to the Directors and Key Senior Management of the Company and the Group for services rendered in all capacities for the FYE 2023 are tabulated under Practices 8.1 and 8.3 of the CG Report respectively.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE (“ARMC”)

The ARMC comprises exclusively of INEDs as follows:

Name of ARMC Members	Designation	Directorate
Ong Kheng Swee	Chairman	Independent Non-Executive Director
Tan Sui Huat	Member	Senior Independent Non-Executive Director
Poh Boon Huwi	Member	Independent Non-Executive Director

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT CONT'D

I. AUDIT AND RISK MANAGEMENT COMMITTEE (“ARMC”) CONT'D

The ARMC Chairman, Mr Ong Kheng Swee is a member of the Malaysian Institute of Accountants and is not the Chairman of the Board.

The ARMC is authorised by the Board to investigate any activity within its Terms of Reference. It shall have full and unrestricted access to any information pertaining to the Company and the Group and is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the ARMC.

The detailed Terms of Reference of the ARMC outlining the composition, duties and functions, authority and procedures of the ARMC is made available on the Company’s website.

The independence, objectivity and integrity of the members of the ARMC are the key requirements which the Board recognises as essential for an effective and independent ARMC. None of the members of the Board is a former key audit partner. As a measure to safeguard the independence and objectivity of the audit process, the ARMC has incorporated a policy stipulation that governs the appointment of a former key audit partner to the ARMC. The policy which is codified in the ARMC’s Terms of Reference requires a former key audit partner to observe a cooling-off period of at least three (3) years before he can be considered for appointment as a committee member.

Further information on the summary of activities of the ARMC are set out in the Audit and Risk Management Committee Report of this Annual Report.

Assessment of External Auditor

The ARMC has adopted a procedure to assess the suitability, objectivity and independence of the External Auditors. The ARMC continues assessing the level of non-audit services rendered by the External Auditor to ensure that such services will not impair their objectivity and independence. Being satisfied with the performance, technical competence and audit independence, the ARMC will then recommend any reappointment decision to the Board, where the Board will make the appropriate recommendation to seek shareholders’ approval in the AGM.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board affirms its overall responsibility for maintaining a sound governance, risk management and internal control systems and for reviewing their adequacy and effectiveness so as to provide assurance on the achievement of the Group’s corporate objectives and strategies and to safeguard all its stakeholders’ interests and protecting the Group’s assets as well as to establish the risk appetite of the Group based on the corporate objectives, strategies, external environment, business nature and corporate lifecycle.

The ARMC assists the Board in discharging its roles and responsibilities to oversee the effectiveness and adequacy of the risk management and internal control system of the Group.

To maintain total independence in the management of the Group’s internal control environment and ensure compliance with the ACE LR, the Group has an internal audit function which is outsourced to an independent professional service firm, NeedsBridge Advisory Sdn Bhd, who reports directly to the ARMC and assists the ARMC in managing the risks and establishment of the internal control system and processes of the Group by providing an independent assessment on the adequacy, efficiency and effectiveness of the Group’s risk management and internal control system and processes.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT CONT'D

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK CONT'D

Recognising the importance of risk management processes and practices, the Board has formalised a risk management and internal control framework to enable management to identify, evaluate, control, monitor and report to the Board the principal business risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks.

Further details pertaining to the review on the Group's internal control system and its effectiveness are set out in the Statement on Risk Management and Internal Control of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of communications with its stakeholders and is committed to upholding high standards of transparency and promotion of investor confidence through the provision of comprehensive, accurate and quality information on a timely basis.

The Board has in place the Stakeholders Communication Policy which sets out the aims and practices of the Company in respect of communicating with its shareholders (both current and prospective) and the Corporate Disclosure Policy which the Board adopted:

- To promote and elevate a high standard of integrity and transparency through timely comprehensive, accurate, quality and full disclosure.
- To promote and maintain market integrity and investor confidence.
- To exercise due diligence to ensure the veracity of the information being disseminated is factual, accurate, clear, timely and comprehensive.
- To build good relationship with all stakeholders based on transparency, openness, trust and confidence.
- To have in place efficient procedures for management of information, which promotes accountability for the disclosure of material information.

The detailed Stakeholders Communication Policy and Corporate Disclosure Policy are made available on the Company's website.

II. CONDUCT OF GENERAL MEETINGS

As stated earlier, the Board recognises the importance of communications with its shareholders and will take appropriate measures to encourage shareholders' participation at general meetings as recommended under the MCGG.

This includes the Chairman highlighting to shareholders and proxy holders, their right to speak up at general meetings, the conduct of poll voting for all resolutions tabled at general meetings and a review of the performance of the Group during AGMs.

To ensure effective participation and engagement with shareholders at the AGM, all Directors including members of the ARMC, NC and RC, attended and participated at the AGM.

In line with the best CG practice, the Notice of AGM and Annual Report were disseminated to shareholders at least 28 days before the AGM in order to provide sufficient time for shareholders to understand and consider the proposed resolutions tabled at the AGM.

This CG Overview Statement was approved by the Board of the Company on 27 March 2024.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board is pleased to present the ARMC Report and its summary of work for the FYE 2023 in compliance with Rule 15.15 of the ACE LR of Bursa Securities.

COMPOSITION

The ARMC comprises three (3) members, all of whom are INEDs. Two (2) of the ARMC members are members of the MIA. No alternate director is appointed as a member of the ARMC. The ARMC meets the requirements of Rule 15.09(1)(a), (b), (c)(i) and 15.09(2) of the ACE LR of Bursa Securities and Practice 9.4 under Principle B of the MCCG.

The Chairman of the ARMC is not the Chairman of the Board. This is in line with Practice 9.1 and Practice 1.4 of the MCCG whereby the Chairman of the Board, Haji Mohd Jaffar Bin Awang (Ismail) is not a member of the ARMC.

The ARMC comprises the following Directors during the FYE 2023 and from 1 January 2024 to the date of this report:

Name of ARMC Members	Designation	Directorate
Ong Kheng Swee	Chairman	Independent Non-Executive Director
Tan Sui Huat	Member	Senior Independent Non-Executive Director
Poh Boon Huwi	Member	Independent Non-Executive Director

ATTENDANCE OF MEETINGS

The ARMC met five (5) times during the FYE 2023. The attendance details of each member of the ARMC at these meetings are as follows: -

Name of ARMC Members	Number of Meetings Attended
Ong Kheng Swee	5 / 5
Tan Sui Huat	5 / 5
Poh Boon Huwi	5 / 5

The Board through the NC reviews the terms of office of the ARMC members and assesses the performance of the ARMC and its members through an annual Board's Committee effectiveness evaluation. The Board is satisfied that each of the members of the ARMC as well as the ARMC as a whole had carried out its duties and discharged its responsibilities in accordance with the ARMC's Terms of Reference. The ARMC had functioned effectively, meeting the objectives as set out in its Terms of Reference and assisting the Board in fulfilling its statutory and fiduciary responsibilities adequately.

TERMS OF REFERENCE

The Terms of Reference of the ARMC is made available on the Company's website at www.haily.my.

MEETINGS

The ARMC shall meet at least four (4) times in a year. The Chairman of the ARMC may call at any time for any additional meetings at the Chairman's discretion. The External Auditors ("EA") may request a meeting if they consider that one is necessary and the Chairman upon such request will convene a meeting for the purpose. The ARMC shall meet with the EA and the representatives of the outsourced internal audit function at least once a year and as and when deemed necessary without the presence of any EDs or Management. The ARMC had convened a total of five (5) meetings during the FYE 2023.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT CONT'D

MEETINGS CONT'D

The agenda for meetings, the relevant reports and papers were furnished to the ARMC members by the Company Secretary after consultation with the ARMC Chairman in advance to facilitate effective deliberation and decision making at the respective meetings. All issues were adequately deliberated during the ARMC meetings before arriving at any decisions, conclusions or recommendations and brought to the attention of the Board for review, notation and Board intervention where deemed necessary. The minutes of these deliberations and resultant decisions, conclusions or recommendations at each ARMC meeting were properly recorded by the Company Secretary and tabled for confirmation at the following ARMC meeting.

During its scheduled quarterly meetings, the ARMC reviewed the risk management and internal control processes (with the assistance of the outsourced internal audit function), the interim and year-end financial reports, the internal and external audit plans and reports, related party transactions, annual budget and all other areas within the scope of responsibilities of the ARMC under its Terms of Reference.

The CFO and Financial Controller (“**FC**”) were invited to attend all ARMC meetings to facilitate direct communication and interaction as well as provide clarifications on audit, financial and operational issues. The CEO and COO were also invited to the ARMC meetings to brief the ARMC on the Group’s on-going construction projects and strategic initiatives and to seek clarification and explanations on points raised.

The representatives of the outsourced internal audit function attended the ARMC meetings to table their Internal Audit plan and reports. Similarly, the EA of the Company represented by their Engagement Partner and Audit Manager leading the audit attended the ARMC meetings to present their Audit Plan and Audit Report.

SUMMARY OF ACTIVITIES

During the FYE 2023, the ARMC in discharging its duties and functions, had carried out the following activities which are summarised as follows: -

a) Financial Reporting

In overseeing and discharging its responsibilities in respect of financial reporting, the ARMC:

- i. Reviewed the unaudited quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The unaudited interim financial report for the 4th quarter of 2022 were tabled at the ARMC meeting held on 27 February 2023. The unaudited interim financial reports for the 1st, 2nd, 3rd and 4th quarters of the FYE 2023 respectively were tabled at the ARMC meetings held on 24 May 2023, 24 August 2023, 27 November 2023 and 28 February 2024 respectively.

In reviewing these unaudited interim financial reports, the ARMC ensured that these reports were prepared in compliance with the MFRS and also took into consideration Rule 9.22 including Appendix 9B of the ACE LR of Bursa Securities.

- ii. Reviewed the Audited Financial Statements for the FYE 2022 and FYE 2023 (“**AFSS**”) on 29 March 2023 and 27 March 2024 respectively. In reviewing these AFSSs, the ARMC ensured that these AFSSs were prepared in compliance with the MFRS and the requirements of the Companies Act 2016 in Malaysia.
- iii. Reviewed the Budget for the FYE 2024 prepared by the Management on 27 November 2023 and ensured that the assumptions and estimates were reasonable and prudent.
- iv. Reviewed the solvency statement in connection with the declaration of second interim single tier dividend for FYE 2022 on 27 February 2023 and first interim single tier dividend for the FYE 2023 on 24 August 2023 before recommending to the Board for consideration and approval of the distributions.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT CONT'D

SUMMARY OF ACTIVITIES CONT'D

b) External Audit

- i. On 27 November 2023, the ARMC reviewed the EA's scope of work and Audit Plans for the FYE 2023 prior to the commencement of audit. The EA had also declared their independence in relation to their audit for the FYE 2023 to the ARMC.
- ii. The ARMC conducted one (1) private meeting with the EA without the presence of the EDs and the Management on 27 February 2023. During the private session, the EA conveyed that there were no areas of concerns to be raised or highlighted to the ARMC or the Board and that they had received full co-operation from the Management during their audit.
- iii. On 27 February 2023 and 28 February 2024, the ARMC reviewed the EA's Audit Committee Memorandum in relation to the EA's audit of the financial statements for the FYE 2022 and FYE 2023 of the Group respectively.
- iv. The ARMC carried out an assessment of the performance of EA, Baker Tilly Monteiro Heng PLT ("**BTMH**"). The ARMC had considered and reviewed the EA experience, quality of services, sufficiency of resources, adequate resources and trained professional staff assigned to the audit, timing for fieldwork and delivery of reports, working relationship with Management, appropriateness of audit fees. BTMH also declared their independence to the ARMC and indicated their willingness to continue office for next financial year. The ARMC is satisfied with the independence, performance and suitability of BTMH based on the assessment and recommended to the Board for approval for the re-appointment of BTMH as Auditors of the Company for the FYE 2024. The Board at its meeting held on 27 March 2024, approved the ARMC's recommendation to re-appoint BTMH as Auditors of the Company for the FYE 2024, subject to the shareholders' approval to be sought at the forthcoming 4th AGM.

c) Internal Audit

- i. On 27 November 2023, the ARMC reviewed the Proposed Internal Audit Plan for the FYE 2024 presented by the outsourced internal audit function to ensure key business risk and processes identified in the Registry of Risk were adequately identified and covered in the audit plan before recommending to the Board for approval.
- ii. On 24 August 2023, the ARMC reviewed the Internal Audit Report in relation to the Group's Anti-Bribery and Corruption Management and on 27 November 2023, the ARMC reviewed the Internal Audit Report in relation to the Group's Management Information System ("**MIS**") and Information Technology ("**IT**") Management. The ARMC considered and discussed the internal audit findings and the recommendations made by the outsourced internal audit function on the areas of improvement.
- iii. The ARMC conducted one (1) private meeting with the outsourced internal audit function without the presence of the EDs and the Management on 24 August 2023. During the private session, the outsourced internal audit function conveyed that the Management had extended full co-operation to their personnel with no restriction to the IA's scope of work, access to the Management and staff or documentation needed during their audit. The internal audit function had further expressed that the Management is receptive to improvement and changes.
- iv. The ARMC carried out an assessment of the performance of the internal audit function by considering and reviewing the internal audit function's qualifications and experience, resources availability and competency, independence, scopes and functions of the internal audit function and collaboration with EA. The ARMC concluded that the internal audit function had performed and carried out their work professionally and met the expectations of the ARMC. The ARMC agreed to the internal audit function continuing and performing their role according to the approved Internal Audit Plan.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT CONT'D

SUMMARY OF ACTIVITIES CONT'D

d) Related Party Transaction

The ARMC reviewed and considered the Related Party Transactions at its meeting held on 27 February 2023, 24 May 2023, 24 August 2023 and 27 November 2023 respectively to ensure that they were not detrimental to the interests of the minority shareholders.

e) Sustainability and Risk Management

- i. The ARMC had on 27 February 2023, 24 May 2023, 24 August 2023 and 27 November 2023 received reports from the CEO and COO on the overview of the Group's on-going construction projects. The ARMC had on 24 May 2023, 24 August 2023 and 27 November 2023 received reports from the Management on the overview of Haily Capital Sdn. Bhd.'s operations in agricultural activities of managing and harvesting of durian and other fruits.
- ii. The ARMC had on 27 November 2023 reviewed the Registry of Risk together with the Risk Matrix after taking into consideration the outcomes and recommendation from the internal audit function and was briefed by the SRMC on the risk factors, impacts and the proposed risk control actions to be undertaken before recommending the same to the Board for approval.
- iii. On 24 August 2023 and 27 November 2023, the ARMC reviewed the report from the SRMC on the activities undertaken to promote sustainability as an integral component of the corporate values of the Group.
- iv. The ARMC had received assurance from the CEO, being highest ranking executive in the Company and the CFO, being the person primarily responsible for the management of the financial affairs, that the Group's risk management and internal control systems have operated adequately and effectively in all material aspects to meet the Group's objectives during the FYE 2023.

f) Corporate Governance Practices

- i. Reviewed and recommended the adoption of Conflict of Interest Policy in line with the amendments to the ACE LR of Bursa Securities.
- ii. Reviewed and revised the Terms of Reference of ARMC in line with the amendments of the AC LR of Bursa Securities.
- iii. Reviewed the Declaration/Disclosure of Conflict of Interest or Potential Conflict of Interest by the Directors and Senior Management.
- iv. Reviewed the following Policies after taking into consideration the audit outcomes and recommendation from the internal audit function before recommending to the Board for approval:
 - Anti-Bribery and Anti-Corruption Policy; and
 - Whistle-Blowing Policy.
- v. Reviewed the disclosures made in respect of the financial results and Annual Report of the Company to be in line with the ACE LR of Bursa Securities, the principles set out in the MCCG, other applicable laws, rules directives and guidelines including the Management Discussion and Analysis, Sustainability Statement, Corporate Governance Overview Statement, Corporate Governance Report, ARMC Report, Statement on Risk Management and Internal Control and other compliance disclosures.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT CONT'D

INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to an independent professional services firm, NeedsBridge Advisory Sdn Bhd, who, through the ARMC, provides the Board with much of the assurance it requires in respect of the adequacy and effectiveness of the Group's system on the risk management and internal control. To uphold the professional firm's independence and objectivity, the outsourced internal audit function reports directly to the ARMC.

The internal audits are carried out, in all material aspects, in accordance with the International Professional Practices Framework ("IPPF"), i.e. Mission, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics and the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors Global. The engagement director, Mr Pang Nam Ming, is a Certified Internal Auditor and has a Certification in Risk Management Assurance accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. As a Certified Internal Auditor accredited by Institute of Internal Auditors, the engagement director is required to declare the compliance of the Standards to the Institute of Internal Auditors during his renewal as Certified Internal Auditor. During the financial year under review, the resources allocated to the fieldworks of the internal audit by the outsourced internal audit function were at least one (1) senior consultant and one (1) consultant per one (1) engagement with oversight performed by the director.

During the FYE 2023, the outsourced internal audit function carried out audits in accordance with the internal audit plan approved by the ARMC and the Board. The internal audit plan was developed taking into consideration the Group's Registry of Risk and other risk events identified by the internal audit function relevant to the audit objectives with the input from the Management. The outsourced internal audit function had presented their audit reports for the ARMC's review on the Group's Anti-Bribery and Corruption Management as well as the MIS and IT Management of the Group in August 2023 and November 2023 respectively.

The costs incurred for the outsourced internal audit function for the FYE 2023 is RM42,656.

The detailed elaboration on the Group's internal control system and its effectiveness is set out in the Statement on Risk Management and Internal Control of this Annual Report and the Group's sustainability initiatives is elaborated in detail in the Sustainability Statement of this Annual Report.

This ARMC Report was approved by the Board of the Company on 27 March 2024.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26(b) and Guidance Note 11 of the ACE LR of Bursa Securities in relation to the requirement to prepare a statement about the state of risk management and internal control of the listed issuer as a group, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (“**the Guidelines**”) and the MCCG, the Board of Haily is pleased to present the statement on the state of risk management and internal controls of the Group for the FYE 2023. The scope of this Statement includes the Company and its operating subsidiaries.

BOARD RESPONSIBILITIES

The Board affirms its overall responsibility for maintaining a sound governance, risk management and internal control system and for reviewing their adequacy and effectiveness to provide assurance on the achievement of the Group’s mission, vision, core values, strategies and business objectives as well as to safeguard all its stakeholders’ interests and protecting the Group’s assets. The Board has established the risk appetite of the Group within which the Board expects the management to operate based on the risk capacity, strategies, internal and external business context, business nature and corporate lifecycle. The Board is committed to the establishment and maintenance of an appropriate control environment that is embedded into the corporate culture, strategies and processes of the Group as well as to articulate the importance of adequate and effective risk management and internal control system. The Board delegates the duty of identification, assessment and management of key business risks and opportunities to the SRMC, led by the CEO while the ARMC, through its terms of reference approved by the Board, is delegated with the duty to review the adequacy and effectiveness of risk management and internal control system of the Group and to provide assurance to the Board on the adequacy and effectiveness of such risk management and internal control system. Through the ARMC, the Board is kept informed on all significant risks and control issues brought to the attention of the ARMC by the SRMC, Sustainability and Risk Management Working Group (“**SRMWG**”), the outsourced internal audit function and the external auditors.

The system of internal control covers, *inter-alia*, control environment, risk assessment, control activities, information and communication and monitoring activities. However, in view of the limitations that are inherent in any system of internal control, the system of internal control is designed to manage, rather than to eliminate, the risk of failure to achieve the Group’s business objectives. Accordingly, the system of internal control can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

RISK MANAGEMENT

The Board recognises risk management as an integral part of the system of internal control and good management practice in the pursuits of its mission, vision, core values, strategies and business objectives. The Board maintains an on-going commitment to systematically identify, analyse, evaluate and manage significant risks and opportunities faced by the Group. The Board has put in place a formal Risk Management Framework for the governance structure, framework and processes for enterprise-wide risk management. This serves to embed the risk management practices into all levels of the Group and to manage key business risks faced by the Group and to optimise key business opportunities available to the Group adequately and effectively as a second-line-of-defence. The duties for the identification, evaluation and management of the key business risks and opportunities are delegated to the SRMC which consist of CEO, CFO, COO and Head of Contract and Business Development and the SRMC is further supported by the SRMWG which comprises representatives from the various departments.

The principles, practices and processes of the Risk Management Handbook established by the Board are, in all material aspects, guided by the Enterprise Risk Management - Integrating with Strategy and Performance (2017) by the Committee of Sponsoring Organizations of the Treadway Commission (“**COSO**”).

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

RISK MANAGEMENT CONT'D

The Risk Management Handbook established lays down the objectives and processes defined by the Board with a formalised governance structure of the risk and opportunity management activities of the Group as follows: -



Clear roles and responsibilities of the Board, ARMC, SRMC, SRMWG, Risk Owners and outsourced internal audit function are defined in the Risk Management Handbook and the terms of reference of the respective committee. The roles and responsibilities of the SRMC and SRMWG in relation to risk management are as follows: -

SRMC

- Implement the Group Risk Management Framework approved by the Board;
- Implement the risk management process which includes the identification of key risks (including sustainability matters) and devising appropriate action plan(s) in cases where existing controls are ineffective, inadequate or non-existence and communicate the methodology to SRMWG and Risk Owners;
- Ensure that risk strategies adopted are aligned with the Group's organisational strategies (e.g. vision/mission, corporate strategies/goals, etc.), Group Risk Management Framework (including policies and processes) and risk appetite;
- Continuous review and monitoring of existing and emerging risks and risk events (including sustainability matters) and update of the Registry of Risks (including the incorporation of new or emerging risks or integration of business risks from implementation and integration of new strategies and business objectives or emerging sustainability matters into the Registry of Risks for monitoring);
- Review of the trends in Key Risk Factors (and its implications on risks and risk events) and Registry of Risks and Risk Matrix of the Group due to changes in the internal and external business context, business processes, business strategies or external environment and determination of management action plan(s), if required;
- Review of Risk Incidents reported by SRMWG and Risk Owners to ensure that appropriate mitigation plans are undertaken and are properly escalated to ARMC if significant;
- Update the ARMC and the Board, on the developments in the Key Risk Factors and changes to the Registry of Risks and Risk Matrix on a periodic basis (at least annually) or when appropriate (due to significant change to the internal and external business context), the course of action to be taken by management in managing the changes and monitoring activities in relation to compliance of the Group Risk Management Framework, Policies and Procedures; and

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

RISK MANAGEMENT CONT'D

SRMC CONT'D

- To perform Strength Weakness Opportunities and Threats (“**SWOT**”) Analysis for all options of the proposed strategies and business objectives and to monitor and report to the ARMC and the Board on the progress of the implementation of such strategies during the scheduled meetings.

SRMWG

- Facilitating, supervising and monitoring the implementation and compliance of the Group Risk Management Handbook and reporting any non-compliance to the SRMC;
- Facilitating and coordinating all risk management processes and activities in the Group;
- Reporting of compliance performance of the Group Risk Management Handbook, the trends in Key Risk Factors, changes in the Registry of Risks and Risk Matrix due to new or emerging risks and risk events or changes in the existing risks and risk events, the mitigation plans (and its implementation progress) and Risk Incidents (including its mitigation plans and incidents of material risks not mitigated);
- Ensuring proper reporting and communication of all risk matters (including risks arising from sustainability matters) at the appropriate level (including but not limited to, the use of the Registry of Risks or meetings or other electronic platforms), and to facilitate embedding the risk management and reporting processes into daily operations to facilitate decision making by the highest governance body of the Group; and
- Ensuring the adequacy of relevant training for the appropriate level of staff on the risk management and reporting processes so that risk awareness is maintained and/or improved.

In addition, the Risk Owners, within their areas of expertise are delegated with operational responsibilities with the following roles and responsibilities: -

- Ultimately accountable for business/risk management;
- Execute risk policies and standards, risk appetite and tolerances, and reporting processes;
- Establish and implement risk and compliance activities; and
- Accountable for on-going risk monitoring and oversight.

Systematic risk management process is stipulated in the Risk Management Handbook, whereby each step of the risk and opportunity identification, evaluation, control identification, treatment and control activities are laid down for application by the SRMWG and Risk Owners. Risk assessments are guided by the likelihood rating and impact rating established by the Board based on the risk appetite acceptable by the Board. During the risk management process, the Registry of Risk was updated by SRMWG and respective Risk Owner, with relevant key risk identified and rated based on the agreed upon likelihood and impact rating with considerations of the results of internal audit activities. Subsequently the updated Registry of Risks was reviewed by the SRMC before they were reported to the ARMC. The Registry of Risks is primarily used for the identification of risk factors of key risk areas which are above the risk appetite of the Group that require the Management's and the Board's immediate attention and risk treatment as well as for future risk monitoring. As an important risk monitoring mechanism, the Management reviews the Registry of Risks and assesses emerging risk and opportunities identified at strategic and operational level on an annual basis or on more frequent basis if circumstances require it and to report to the ARMC on the results of the review and assessment.

During the financial year under review and up to the date of this statement, the SRMWG has conducted a review and assessment exercise on existing risk factors within key risks areas, ranging from business environment (including corporate liability risk on corruption and compliance of material laws and regulations), corporate, finance, marketing, project management, human capital, environment health and safety and management information system of the Company and its operating subsidiaries and incorporated such risk factors into the Registry of Risks for on-going monitoring. In addition, the Registry of Risks was reviewed by the outsourced internal audit function to ensure that the key risks and ratings assigned are aligned with the internal audit findings. The Registry of Risks (with proposed risk control actions for risks mitigation, likelihood and impact rating) was tabled by the SRMC to the ARMC for review and deliberation on its adequacy and effectiveness and thereafter the results of the review were reported to the Board, which assumes the primary responsibility of the Group's risk management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

RISK MANAGEMENT CONT'D

At the strategic level, business plans, business strategies and investment proposals with risks and opportunities consideration are formulated by the Senior Management and/or EDs and presented to the Board for review and deliberation to ensure that the proposed plans and strategies are in line with the Group's risk appetite approved by the Board. In addition, specific strategic and key operational risks and opportunities are highlighted and deliberated by the ARMC and the Board during the review of the financial performance of the Group in the scheduled meetings.

As the first-line-of-defence, respective Risk Owners are responsible for managing the risks under their responsibilities. Risk Owners are responsible for effective and efficient operational monitoring and management by way of maintaining effective internal controls and executing risk and control procedures on a day-to-day basis. Changes in key operational risks or emergence of new key business risks are identified through daily operational management and controls and review of financial and operational reports by respective level of Management generated by internal management information system and supplemented by external data and information collected. Respective Owners are responsible to assess the changes to the existing operational risks and emerging risks and to formulate and implement effective controls to manage these risks. Critical material risks are highlighted to the SRMC for the final decision on the formulation and implementation of effective internal controls and reported to the ARMC and the Board by the CEO and/or CFO.

The monitoring of the risk management by the Group is enhanced by the internal audits carried out by the outsourced internal audit function with specific audit objectives and business risks identified for each internal audit cycle based on the internal audit plan reviewed and approved by the ARMC and the Board.

The above process has been practiced by the Group for the financial year under review and up to the date of this statement.

Please refer to the Management Discussion and Analysis for the key risks faced by the Group.

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control system are made up of five (5) core components, i.e. Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring Activities with the principles representing the fundamental concepts associated with each component as follows: -

- **Board of Directors/Board Committees**

The role, functions, composition, operation and processes of the Board are guided by a formal board charter whereby roles and responsibilities of the Board, the Chairman of the Board, the CEO, the EDs, and the Senior Independent Non-Executive Director are specified to preserve the independence of the Board from the Management and to improve oversight roles of the Board.

Board Committees (i.e. the ARMC, NC, and RC) are established to carry out duties and responsibilities delegated by the Board, and are governed by written terms of reference.

Meetings of Board of Directors and the respective Board Committees are carried out on scheduled basis to review the financial and operational performance of the Group. Business plans and business strategies are proposed by the CEO for the Board's review and approval, after taking into consideration risks and responses.

- **Integrity and Ethical Values**

The tone from the top on integrity and ethical values are enshrined in a formal Code of Conduct and Business Ethics Policy. This formal code forms the foundation of integrity and ethical value for the Group.

Integrity and ethical values expected from the employees are incorporated in the Employees Handbook, whereby the ethical behaviours expected from employees are stated. The code of conduct of the employees in carrying out their duties and responsibilities assigned are also established and formalised in the Employees Handbook.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

INTERNAL CONTROL SYSTEM CONT'D

The key features of the Group's internal control system are made up of five (5) core components, i.e. Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring Activities with the principles representing the fundamental concepts associated with each component as follows: - CONT'D

- **Integrity and Ethical Values** CONT'D

To further enhance ethical values throughout the Group, a formal Anti-Bribery and Anti-Corruption Policy had been put in place by the Board to prevent and manage the risk of bribery and conflict of interest within the Group, supplemented by a Whistle-Blowing Policy for all stakeholders to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity. Grievance procedures are also incorporated in the Employees Handbook for employees to raise complaints not satisfactorily resolved to next higher authority via structured process.

Compliance of the Code of Conduct and Business Ethics as well as the Anti-Bribery and Anti-Corruption Policies are monitored via control activity monitoring mechanism coupled with the whistle-blowing and grievance procedures implemented with detected non-compliances investigated in a timely manner and appropriate corrective action, including but not limited to disciplinary actions, taken to rectify non-compliance.

- **Organisation Structure, Accountability and Authorisation**

The Group has a well-defined organisation structure in place with clear lines of reporting and accountability with the Board assuming the oversight roles. The Group is committed to employing suitable and qualified staff so that the appropriate level of authorities and responsibilities can be delegated while accountability of performance and controls are assigned accordingly based on staff competency to ensure operational efficiency. The establishment and communication of job responsibilities and accountability of performance and controls for key positions are further enhanced via the job descriptions established by the Management.

The authorisation requirement of the key internal control points of key business processes are stated in the Delegation and Limit of Authorities and respective policies and procedure.

- **Performance Measurement**

Annual Budget and forecasts for the Group are presented to the ARMC for review and approved by the Board on an annual basis. The actual performances are closely monitored against budgets to identify significant variances for prompt actions to be taken, including any revisions required.

- **Succession Planning and Human Resource**

The Board is committed to enhancing the skills, knowledge and competency of employees for personal development and corporate excellence. A succession planning process is in place to ensure key personnel within the Group are supported by competent second-in-line to reduce the impact of casual vacancies or abrupt departure of key personnel to the minimum possible.

A formal Human Resource Policy as well as the Employees Handbook are in place to ensure the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience (which are enhanced by continuous trainings thereafter) to carry out their duties and responsibilities effectively and efficiently.

Performance appraisals which form the basis of the incentives and promotion, and training needs assessment are carried out for all levels of staff to identify performance gaps, training needs and to assist in talent development.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

CONT'D

INTERNAL CONTROL SYSTEM CONT'D

- **Risk Assessment and Control Activities**

Risk assessment is performed by Risk Owners at scheduled interval or when there is a change in internal and/or business context and is guided by the Risk Management Handbook. Internal controls, as risk responses, are formulated and put in place to mitigate risks identified to a level acceptable by the Board.

The Group's policies and procedures are regularly reviewed and updated to ensure their relevance to support the Group's business activities and in achieving the Group's business objectives.

- **Information and Communication**

At the operational level, clear reporting lines are established across the Group and operation reports are prepared for dissemination of critical information to relevant personnel for effective communication throughout the Group, timely decision making and execution in the pursuit of business objectives. Matters that require the Board's and Senior Management's attention are highlighted for review, deliberation, and decision making on a timely basis.

The Group has in place effective and efficient information and communication infrastructures, communication channels (i.e. secured intranet, electronic mail and modern telecommunication system) and computerised transaction processing system, so that operation data and external data can be collected and processed into relevant and adequate information and communicated timely, reliably and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders. Apart from that, relevant financial and management reports are generated for different levels of management and employees for their review and decision making. The management and board meetings are held regularly for effective two-way communication of information at different level of Management and the Board.

Communication of policies and procedures of the Group are conducted via written format, notice boards, electronic mail system and in-house trainings by the respective risk or control owners.

- **Monitoring and Review**

As the second-line-of-defence and at operational level, monitoring activities are embedded into the policies and procedures established by the Management with incidents of non-compliance and exceptions being noted and escalated to the appropriate level of management. Periodic management meetings are held to discuss and review budgets, financial and operational performance of key divisions/departments of the Group.

Apart from the above, quarterly financial statements which contain key financial results, operational and financial management reports are also presented by the CEO, CFO, COO and Financial Controller to the ARMC for review and reporting of the same to the Board to assess the operational performance, business strategies, future prospect and external business conditions.

In addition to the internal audits, any significant control issues are highlighted by the External Auditors as part of their statutory audits. The monitoring of compliance with ISO certification is carried out by external ISO auditors as well as surveillance audit by independent consultants engaged by the Group.

INTERNAL AUDIT FUNCTION

The review of the adequacy and effectiveness of the Group's risk management and internal control system is outsourced to an independent professional services firm, NeedsBridge Advisory Sdn Bhd, who, through the ARMC, provides the Board with much of the assurance it requires in respect of the adequacy and effectiveness of the Group's system on risk management and internal control. To uphold the professional firm's independence and objectives, the outsourced internal audit function reports directly to the ARMC.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

INTERNAL AUDIT FUNCTION CONT'D

The audit engagement of the outsourced internal audit function is governed by the engagement letter and Internal Audit Charter approved by the Board during the financial year under review. Key terms of the engagement include purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the Management's responsibilities, the authority accorded to the outsourced internal audit function, limitation of scope of works, confidentiality, proposed fees and engagement team.

The internal audits are carried out, in all material aspects, in accordance with the International Professional Practices Framework ("IPPF"), i.e. Mission, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics and the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors Global. The engagement director, Mr. Pang Nam Ming, is a Certified Internal Auditor and has a Certification in Risk Management Assurance accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. As a Certified Internal Auditor accredited by Institute of Internal Auditors, the engagement director is required to declare the compliance of the Standards to Institute of Internal Auditors during his renewal as Certified Internal Auditor. During the financial year under review, the resources allocated to the fieldworks of the internal audit by the outsourced internal audit function were at least one (1) senior consultant and one (1) consultant per one (1) engagement with oversight performed by the director.

Based on the formal assessment of the internal audit function performed by the ARMC (which takes into consideration of the qualifications, experience, resources availability, competency, independence, scopes, function, and collaboration with the External Auditors) during the financial year, the ARMC concluded that the internal audit function had performed and carried out their work professionally and met the expectation of the ARMC.

The risk-based internal audit plan in respect of the FYE 2023 was drafted by the outsourced internal audit function, after taking into consideration the existing and emerging key business risks identified in the Registry of Risks and the Senior Management's opinion and was reviewed and approved by the ARMC prior to execution. Each internal audit cycle within the internal audit plan is specific with regards to audit objective, key risks to be assessed and scopes of the internal control review.

As the third-line-of-defence, the internal control review procedures performed by the outsourced internal audit function are designed to understand, document and evaluate risks and related controls in order to determine the adequacy and effectiveness of governance, risk structures, control structures and control processes. The outsourced internal audit function provides recommendations formulated based on the root cause(s) of the internal audit observations. The internal audit procedures applied principally consist of process evaluations through interviews with relevant personnel involved in the process under review, review of the standard operating procedures and/or process flows provided and observations of the functioning of processes against the results of interviews, documented standard operating procedures and/or process flows. Thereafter, testing of controls are carried out for the respective audit areas through the review of the samples selected based on sample sizes calculated in accordance with predetermined formulation, subject to the nature of testing and verification of the samples.

During the FYE 2023, based on the internal audit plan reviewed and approved by the ARMC and the Board, the outsourced internal audit function had conducted audits on the Anti-Bribery and Corruption Management as well as the Management Information System and Information Technology Management of the Group.

Upon the completion of the internal audit fieldwork, the internal audit report was presented to the ARMC during its scheduled meetings. During the presentation, the internal audit findings, priority level, risk/potential implication, internal audit recommendations, management responses/action plans, person-in-charge and date of implementation were presented and deliberated with the members of the ARMC. This is to enable the ARMC to form an opinion on the adequacy and/or effectiveness of the governance, risk and control of the business process under review. Progress follow-ups were performed by the outsourced internal audit function on the management action plans that were not implemented in the previous internal audit fieldwork by way of verification via observation or through verification of samples provided by the person-in-charge to substantiate the implementation of the management action plan. Together with the internal audit reports, the updates on the implementation progress of action plans formulated per previous internal audit reports via the Action Plan Progress Report were also presented to the ARMC during the financial year for review and deliberation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

INTERNAL AUDIT FUNCTION CONT'D

In addition, the outsourced internal audit function also presented its staff strength, qualifications and work experience and its independence for the ARMC's review during its scheduled meetings.

The costs incurred for the outsourced internal audit function for the FYE 2023 is RM 42,656.

ASSURANCE PROVIDED BY THE CEO AND THE CFO

In line with the Guidelines, the CEO, being highest ranking executive in the Group and the CFO, being the person primarily responsible for the management of the financial affairs of the Group have provided assurances to the Board that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

OPINION AND CONCLUSION

Based on the review of the risk management results and process, results of the internal audit activities, monitoring and review mechanism stipulated above, assurances provided by the CEO and the CFO, the Board is of the opinion that the risk management and internal control systems are operating satisfactory and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control system in meeting the Group's business objectives.

The Board is committed towards maintaining an effective risk management and internal control system throughout the Group and where necessary put in place appropriate plans to further enhance the respective system.

ASSURANCE PROVIDED BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the ACE LR, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with the Audit and Assurance Practice Guide ("AAPG") 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants.

Based on their review, nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies and Practices 10.1 and 10.2 of the Malaysian Code on Corporate Governance 2021 to be set out, nor is factually incorrect.

AAPG 3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system, including the assessment and opinion by the Directors and management thereon. The External Auditors are also not required to consider whether the processes described to deal with material internal control aspects of any significant problems disclosed in the Annual Report will, in fact, remedy those problems.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM THE LISTING EXERCISE

The Company was listed on the ACE Market of Bursa Securities on 21 July 2021 (“**Listing**”). In conjunction with the Listing, the Company undertook a public issue of 30,000,000 new ordinary shares at an issue price of RM0.68 per share, raising gross proceeds of RM20,400,000 (“**IPO Proceeds**”).

The status of the utilisation of the IPO Proceeds as at 19 March 2024 is as follows:

	Proposed utilisation RM'000	Deviation ⁽¹⁾ RM'000	Actual utilisation RM'000	Unutilised amount RM'000	Intended time frame for utilisation upon listing ⁽²⁾
Purchase of construction machinery, equipment as well as new contract management and accounting software and office equipment	4,200	(880)	(3,320)	-	Within 24 months
Working capital for construction projects	6,000	1,014	(7,014)	-	Within 24 months
Repayment of bank borrowings	7,000	-	(7,000)	-	Within 3 months
Estimated listing expenses	3,200	(134)	(3,066)	-	Within 3 months
Total	20,400	-	(20,400)	-	

Notes:

- (1) The actual utilisation for purchase of construction machinery, equipment as well as new contract management and accounting software and office equipment (i.e. scaffoldings) and the listing expenses were lower than their estimated sums by RM0.88 million and RM0.13 million respectively, hence the total surplus of RM1.01 million was adjusted to and utilised as working capital for our Group's construction projects.
- (2) From the date of listing of our Company on the ACE Market of Bursa Securities. The utilisation of proceeds disclosed above should be read in conjunction with the Prospectus of our Company dated 30 June 2021.

The gross proceeds of RM20.40 million raised from the IPO has been fully utilised by the Group within the stipulated time frame of 24 months from the date of the IPO, i.e. not later than 20 July 2023.

ADDITIONAL COMPLIANCE INFORMATION CONT'D

2. AUDIT AND NON-AUDIT FEES

The fees payable to BTMH in relation to the audit and non-audit services rendered to the Company and the Group for the FYE 2023 were as follows:

	Company RM	Group RM
Audit fees	54,500	135,600
Non-audit fees	3,000	3,000
Total	57,500	138,600

3. MATERIAL CONTRACTS INVOLVING THE INTEREST OF THE DIRECTORS, CHIEF EXECUTIVE AND MAJOR SHAREHOLDERS

Save as disclosed in the audited financial statements for the FYE 2023, there were no material contracts (not being contracts entered into in the ordinary course of business) either subsisting as at the financial year end or entered into since the end of the previous financial year by the Company and its subsidiaries involving the interest of the directors, chief executive and major shareholders.

4. EMPLOYEE SHARE SCHEME

The Company did not have any Employees Share Scheme during the FYE 2023.

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

There were no recurrent related party transactions entered by the Group during the FYE 2023.

6. PROPERTIES OWNED BY THE GROUP

There were no real properties owned by the Group during the FYE 2023.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required under the Companies Act 2016 ("**the Act**") to prepare financial statements that give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Act.

In preparing the financial statements for the financial year ended 31 December 2023, the Directors have: -

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company maintain proper accounting records that disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.



REPORTS AND FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

62 DIRECTORS' REPORT

FINANCIAL STATEMENTS

69 - STATEMENTS OF FINANCIAL POSITION

70 - STATEMENTS OF COMPREHENSIVE INCOME

71 - STATEMENTS OF CHANGES IN EQUITY

73 - STATEMENTS OF CASH FLOWS

76 - NOTES TO THE FINANCIAL STATEMENTS

113 STATEMENT BY DIRECTORS

114 STATUTORY DECLARATION

115 INDEPENDENT AUDITORS' REPORT

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries include building construction of residential and non-residential buildings, provision of rental of construction machinery and engaging in agricultural activities of managing and harvesting of durians and other fruits.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Net profit for the financial year, representing total comprehensive income for the financial year	<u>7,351,860</u>	<u>3,731,959</u>
Attributable to:		
Owners of the Company	<u>7,351,860</u>	<u>3,731,959</u>

DIVIDENDS

The amount of dividends declared and paid by the Company since the end of the previous financial year were as follows:

	RM
Second interim single-tier dividend of RM0.0056 per ordinary share for the financial year ended 31 December 2022, paid on 17 April 2023	998,596
First interim single-tier dividend of RM0.0056 per ordinary share for the financial year ended 31 December 2023, paid on 16 October 2023	<u>998,596</u>
	<u>1,997,192</u>

On 27 March 2024, the directors declared a second interim single-tier dividend for the financial year ended 31 December 2023 at RM0.0068 per ordinary share, amounting to RM1,212,581, based on the number of outstanding ordinary shares in issue as at 22 April 2024. The second interim single-tier dividend is payable to the members on 21 May 2024 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

DIRECTORS' REPORT CONT'D

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and no allowance for doubtful debts were necessary.

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or to make any allowance for doubtful debts in respect of the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

DIRECTORS' REPORT CONT'D

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

See Tin Hai*
Yoong Woei Yeh**
Tan Sui Huat
Mohd Jaffar Bin Awang (Ismail)
See Swee Ling***
Ong Kheng Swee
Poh Boon Huwi
See Cul Wei

* Director of the Company and its subsidiaries, Haily Construction Sdn. Bhd., Haily Machinery Sdn. Bhd., Haily Capital Sdn. Bhd., and Haily Development Sdn. Bhd.

** Director of the Company and its subsidiaries, Haily Construction Sdn. Bhd., Haily Capital Sdn. Bhd., and Haily Development Sdn. Bhd.

*** Director of the Company and its subsidiary, Haily Construction Sdn. Bhd.

Other than as stated above, the name of the director of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report is:

Kik Siew Lee

DIRECTORS' REPORT CONT'D

DIRECTORS' INTERESTS

Interests in the Company

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporation during the financial year were as follows:

	Number of ordinary shares			At 31 December 2023
	At 1 January 2023	Bought	Sold	
Direct interests:				
Yoong Woei Yeh	500,000	-	-	500,000
See Swee Ling	500,000	-	-	500,000
Mohd Jaffar Bin Awang (Ismail)	100,000	-	-	100,000
Ong Kheng Swee	100,000	-	-	100,000
Tan Sui Huat	100,000	-	-	100,000
Holding company				
Haily Holdings Sdn. Bhd.				
See Tin Hai	1,200,001	-	-	1,200,001
Deemed interests:				
See Tin Hai	130,440,700	-	-	130,440,700

By virtue of his interests in Haily Holdings Sdn. Bhd., the holding company, and pursuant to Section 8 of the Companies Act 2016 in Malaysia, See Tin Hai is also deemed to have interest in the ordinary shares in the Company and its related corporations to the extent the holding company has interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as shown below) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

DIRECTORS' REPORT CONT'D**DIRECTORS' BENEFITS** CONT'D

The directors' benefits of the Company were as follows:

	Group RM	Company RM
Directors of the Company		
Executive directors		
- Directors' remuneration	2,052,000	-
- Directors' defined contribution plan	246,240	-
- Directors' other emoluments	56,124	-
	<u>2,354,364</u>	<u>-</u>
Non-executive director		
- Directors' fees	<u>239,790</u>	<u>239,790</u>
Directors of the subsidiaries		
Executive directors		
- Directors' remuneration	216,000	-
- Directors' defined contribution plan	11,520	-
- Directors' other emoluments	10,643	-
	<u>238,163</u>	<u>-</u>
Total director remuneration		
- Director fees	239,790	239,790
- Directors' remuneration	2,268,000	-
- Directors' defined contribution plans	257,760	-
- Directors' other emoluments	66,767	-
	<u>2,832,317</u>	<u>239,790</u>

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity insurance coverage for the directors and officers of the Company was RM10,000,000. The insurance premium paid by the Company and the directors of the Company were RM15,675 and RM875 respectively.

DIRECTORS' REPORT CONT'D

SUBSIDIARIES

The details of the Company's subsidiaries are as follows:

Name of company	Principal place of business/ country of incorporation	Ownership interest		Principal activities
		2023 %	2022 %	
Haily Construction Bhd.	Malaysia	100	100	Building construction of residential and non-residential buildings
Haily Development Sdn. Bhd.	Malaysia	100	100	Dormant
Haily Capital Sdn. Bhd.	Malaysia	100	100	Engaged in agricultural activities of managing and harvesting of durians and other fruits
Subsidiary of Haily Construction Sdn. Bhd.				
Haily Machinery Sdn. Bhd.	Malaysia	100	100	Provision of rental of construction machinery

The available auditors' reports on the accounts of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

There have been no significant events during the financial year which require adjustments of or disclosure in the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

There have been no significant events subsequent to the end of the financial year which require adjustments of or disclosure in the financial statements.

HOLDING COMPANY

The directors regard Haily Holdings Sdn. Bhd., a company incorporated in Malaysia, as the holding company of the Company.

AUDITORS' REMUNERATION AND INDEMINITY

The auditors' remuneration of the Group and the Company are RM123,500 and RM48,500 respectively.

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

DIRECTORS' REPORT CONT'D

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

.....
SEE TIN HAI

Director

.....
YOONG WOEI YEH

Director

Date: 27 March 2024

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

Note	← Group →		← Company →		
	2023 RM	2022 RM	2023 RM	2022 RM	
ASSETS					
Non-current assets					
Property, plant and equipment	5	6,822,099	5,072,916	-	-
Investment in subsidiaries	6	-	-	41,529,772	41,529,772
Other investments	7	3,994,875	2,551,778	-	-
Deferred tax assets	8	80,557	-	-	-
Total non-current assets		10,897,531	7,624,694	41,529,772	41,529,772
Current assets					
Current tax assets		2,534	2,292	2,534	1,955
Trade and other receivables	9	94,059,660	80,216,543	20,795,321	16,702,697
Contract assets	10	65,664,756	47,399,729	-	-
Cash and short-term deposits	11	15,407,816	26,385,961	1,138,691	3,275,001
Total current assets		175,134,766	154,004,525	21,936,546	19,979,653
TOTAL ASSETS		186,032,297	161,629,219	63,466,318	61,509,425
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	12	61,254,988	61,254,988	61,254,988	61,254,988
Reorganisation reserve	13	(40,029,768)	(40,029,768)	-	-
Retained earnings		64,690,964	59,336,296	1,895,023	160,256
TOTAL EQUITY		85,916,184	80,561,516	63,150,011	61,415,244
Non-current liabilities					
Borrowings	14	2,184,995	616,633	-	-
Deferred tax liabilities	8	146,427	129,776	-	-
Total non-current liabilities		2,331,422	746,409	-	-
Current liabilities					
Borrowings	14	5,878,013	6,378,812	-	-
Tax liabilities		1,191,108	461,013	223,356	-
Trade and other payables	15	90,701,124	70,609,767	92,951	94,181
Contract liabilities	10	14,446	2,871,702	-	-
Total current liabilities		97,784,691	80,321,294	316,307	94,181
TOTAL LIABILITIES		100,116,113	81,067,703	316,307	94,181
TOTAL EQUITY AND LIABILITIES		186,032,297	161,629,219	63,466,318	61,509,425

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	← Group →		← Company →	
		2023 RM	2022 RM	2023 RM	2022 RM
Revenue	16	295,577,312	196,255,026	3,600,000	1,800,000
Cost of sales		(269,271,616)	(172,651,034)	-	-
Gross profit		26,305,696	23,603,992	3,600,000	1,800,000
Other income	17	1,052,805	658,328	999,855	-
Administrative expenses		(16,483,333)	(15,276,922)	(670,686)	(627,945)
Operating profit		10,875,168	8,985,398	3,929,169	1,172,055
Interest income	18	218,916	289,164	34,088	67,292
Finance costs	19	(717,124)	(139,461)	-	-
Profit before tax	20	10,376,960	9,135,101	3,963,257	1,239,347
Income tax expense	22	(3,025,100)	(2,534,989)	(231,298)	(13,198)
Profit for the financial year, representing total comprehensive income for the financial year		7,351,860	6,600,112	3,731,959	1,226,149
Profit attributable to:					
Owners of the Company		7,351,860	6,600,112	3,731,959	1,226,149
Total comprehensive income attributable to:					
Owners of the Company		7,351,860	6,600,112	3,731,959	1,226,149
Earnings per share (sen)					
- Basic and diluted	23	4.12	3.70		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	← Attributable to owners of the Company →			
	Share capital RM	Reorganisation reserve RM	Retained earnings RM	Total equity RM
Group				
At 1 January 2023	61,254,988	(40,029,768)	59,336,296	80,561,516
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year	-	-	7,351,860	7,351,860
Transactions with owners				
Dividends paid on shares	-	-	(1,997,192)	(1,997,192)
At 31 December 2023	61,254,988	(40,029,768)	64,690,964	85,916,184
Group				
At 1 January 2022	61,254,988	(40,029,768)	53,734,780	74,960,000
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year	-	-	6,600,112	6,600,112
Transactions with owners				
Dividends paid on shares	-	-	(998,596)	(998,596)
At 31 December 2022	61,254,988	(40,029,768)	59,336,296	80,561,516

STATEMENTS OF CHANGES IN EQUITY FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 CONT'D

	← Attributable to owners of the Company →		
	Share capital	(Accumulated losses)/ Retained earnings	Total equity
Note	RM	RM	RM
Company			
At 1 January 2022	61,254,988	(67,297)	61,187,691
Total comprehensive income for the financial year			
Profit for the financial year, representing total comprehensive income for the financial year	-	1,226,149	1,226,149
Transactions with owners			
Dividends paid on shares	24	-	(998,596)
At 31 December 2022	61,254,988	160,256	61,415,244
Total comprehensive income for the financial year			
Profit for the financial year, representing total comprehensive income for the financial year	-	3,731,959	3,731,959
Transactions with owners			
Dividends paid on shares	24	-	(1,997,192)
At 31 December 2023	61,254,988	1,895,023	63,150,011

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	← Group →		← Company →	
		2023 RM	2022 RM	2023 RM	2022 RM
Cash flows from operating activities					
Profit before tax		10,376,960	9,135,101	3,963,257	1,239,347
Adjustments for:					
Depreciation of property, plant and equipment	5	2,809,608	2,077,977	-	-
Gain on disposal of property, plant and equipment	17	(589,871)	(211,000)	-	-
Property, plant and equipment written off	20	-	4,291	-	-
Fair value gain of other investment	17	-	(63,833)	-	-
Interest income	18	(218,916)	(289,164)	(34,088)	(67,292)
Finance costs	19	717,124	139,461	-	-
Operating profit before changes in working capital		13,094,905	10,792,833	3,929,169	1,172,055
<u>Changes in working capital:</u>					
Trade and other receivables		(13,843,117)	(23,362,809)	(2,769)	(894)
Contract assets		(18,265,027)	(8,386,033)	-	-
Trade and other payables		20,091,357	15,233,914	(1,230)	(15,529)
Contract liabilities		(2,857,256)	2,635,115	-	-
Net cash (used in)/from operations		(1,779,138)	(3,086,980)	3,925,170	1,155,632
Income tax paid		(2,359,153)	(2,609,098)	(8,521)	(16,671)
Interest paid		(576,565)	(65,242)	-	-
Net cash (used in)/from operating activities		(4,714,856)	(5,761,320)	3,916,649	1,138,961
Cash flows from investing activities					
Purchase of property, plant and equipment	(a)	(1,948,048)	(1,780,166)	-	-
Proceeds from disposal of property, plant and equipment		597,000	211,000	-	-
Investment in subsidiaries		-	-	-	(4)
Change in other investments		(1,443,097)	(215,667)	-	-
Change in pledge deposits		(1,507,222)	(934,416)	-	-
Interest received		218,916	289,164	34,088	67,292
Net cash (used in)/from investing activities		(4,082,451)	(2,430,085)	34,088	67,288

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 CONT'D

	Note	← Group →		← Company →	
		2023 RM	2022 RM	2023 RM	2022 RM
Cash flows from financing activities					
Payments of lease liabilities	(b)	(1,899,880)	(490,800)	-	-
Payments of hire purchase	(b)	(491,775)	(588,855)	-	-
Drawdown of term loan	(b)	1,455,062	-	-	-
Payment of term loan	(b)	(114,836)	-	-	-
Proceeds from revolving credit	(b)	1,000,000	-	-	-
Net changes in amount owing by subsidiaries	(b)	-	-	(4,089,855)	(6,822,026)
Dividends paid		(1,997,192)	(998,596)	(1,997,192)	(998,596)
Net cash used in financing activities		(2,048,621)	(2,078,251)	(6,087,047)	(7,820,622)
Net decrease in cash and cash equivalents		(10,845,928)	(10,269,656)	(2,136,310)	(6,614,373)
Cash and cash equivalents at the beginning of the financial year		19,854,432	30,124,088	3,275,001	9,889,374
Cash and cash equivalents at the end of the financial year	(d)	9,008,504	19,854,432	1,138,691	3,275,001

(a) Purchase of property, plant and equipment:

	Note	← Group →	
		2023 RM	2022 RM
Additions of property, plant and equipment	5	4,565,920	2,270,166
Operating leases recognised as right-of-use assets	5	(2,095,072)	-
Financed by way of hire purchase		(522,800)	(490,000)
Cash payments on purchase of property, plant and equipment		1,948,048	1,780,166

STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023 CONT'D

(b) Reconciliation of changes in liabilities arising from financing activities are as follows:

	1.1.2023 RM	Advances RM	Repayments RM	← Non-Cash →		31.12.2023 RM
				Drawdown/ Addition RM	Interest RM	
Group						
Lease liabilities	704,782	-	(1,899,880)	2,095,072	68,278	968,252
Hire purchase	760,826	-	(491,775)	522,800	38,552	830,403
Term loan	-	-	(114,836)	1,455,062	33,729	1,373,955
Revolving credit	-	-	-	1,000,000	-	1,000,000
	<u>1,465,608</u>	<u>-</u>	<u>(2,506,491)</u>	<u>5,072,934</u>	<u>140,559</u>	<u>4,172,610</u>
Company						
Amount owing by subsidiaries	<u>(16,689,231)</u>	<u>(4,089,855)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(20,779,086)</u>

	1.1.2022 RM	Advances RM	Repayments RM	← Non-Cash →		31.12.2022 RM
				Drawdown/ Addition RM	Interest RM	
Group						
Lease liabilities	1,155,120	-	(490,800)	-	40,462	704,782
Hire purchase	825,924	-	(588,855)	490,000	33,757	760,826
	<u>1,981,044</u>	<u>-</u>	<u>(1,079,655)</u>	<u>490,000</u>	<u>74,219</u>	<u>1,465,608</u>
Company						
Amount owing by subsidiaries	<u>(9,867,205)</u>	<u>(6,822,026)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,689,231)</u>

(c) During the financial year, the Group had total cash outflows for leases of RM1,925,654 (2022: RM532,620).

(d) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following:

	Note	← Group →		← Company →	
		2023 RM	2022 RM	2023 RM	2022 RM
Short-term deposits	11	2,508,914	1,001,692	-	-
Less: Pledged deposits		(2,508,914)	(1,001,692)	-	-
		-	-	-	-
Cash and bank balances	11	12,898,902	25,384,269	1,138,691	3,275,001
Bank overdraft	14	(3,890,398)	(5,529,837)	-	-
		<u>9,008,504</u>	<u>19,854,432</u>	<u>1,138,691</u>	<u>3,275,001</u>

The accompanying notes form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Haily Group Berhad (“the Company”) is a public limited company, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 5.11 & 5.12, 5th floor, Menara TJB, No. 9, Jalan Syed Mohd Mufti, 80000 Johor Bahru, Johor. The principal place of business of the Company is located at No. 3339, Jalan Pekeliling Tanjung 27, Kawasan Perindustrian Indahpura, 81000 Kulai, Johor Darul Takzim.

The holding company of the Company is Haily Holdings Sdn. Bhd., a company incorporated in Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 6.

There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 March 2024.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia.

2.2 Adoption of new MFRS, amendments of MFRSs and explanation of change in accounting policy

(a) Adoption of new MFRS and amendments to MFRSs

The Group and the Company have adopted the following applicable new MFRS and amendments to MFRSs for the current financial year:

New MFRS

MFRS 17 Insurance Contracts

Amendments to MFRSs

MFRS 101 Presentation of Financial Statements

MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

MFRS 112 Income Taxes

The adoption of the above new MFRS and amendments to MFRSs did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group’s and the Company’s existing accounting policies, except as discussed below:

Amendments to MFRS 101 Presentation of Financial Statements

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

2. BASIS OF PREPARATION CONT'D

2.2 Adoption of new MFRS, amendments of MFRSs and explanation of change in accounting policy CONT'D

(a) Adoption of new MFRS and amendments to MFRSs CONT'D

Amendments to MFRS 101 Presentation of Financial Statements CONT'D

Accordingly, the Group and the Company disclosed their material accounting policy information in these financial statements. However, the amendments did not result in changes to the accounting policies of the Group and of the Company.

2.3 Amendments to MFRSs that have been issued, but yet to be effective

- (a) The Group and the Company have not adopted the following amendments to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>Amendments to MFRSs</u>		
MFRS 7	Financial Instruments: Disclosures	1 January 2024
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statement of Cash Flows	1 January 2024
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

- (b) The Group and the Company plan to adopt the above applicable amendments to MFRSs when they become effective. A brief discussion on the above significant amendments to MFRSs that may be applicable to the Group and the Company are summarised below:

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

2. BASIS OF PREPARATION CONT'D

2.4 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 they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

3. MATERIAL ACCOUNTING POLICY INFORMATION

Unless otherwise stated, the following material accounting policies information have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

(a) Subsidiaries and business combination

The Group applies the acquisition method to account for business combinations from the acquisition date when the acquired set of activities meets the definition of a business and control is transferred to the Group. Acquisition of entities under a reorganisation scheme does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company are a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Company and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses.

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

3.3 Financial instruments

Financial assets – subsequent measurement and gains and losses

Financial assets at fair value through profit or loss

The Group and the Company subsequently measure these assets at fair value. Net gains and losses, including any interest and dividend income, are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION CONT'D

3.3 Financial instruments CONT'D

Financial assets – subsequent measurement and gains and losses CONT'D

Debt instruments at amortised cost

The Group and the Company subsequently measure these assets at amortised cost under the effective interest method. The carrying amount is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognition in profit or loss.

Financial liabilities – subsequent measurement and gains and losses

The Group and the Company classify the financial liabilities at amortised cost.

The Group and the Company subsequently measure other financial liabilities at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

3.4 Property, plant and equipment

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

All property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Motor vehicles	5
Plant and machinery	5 - 10
Furniture and fittings	10
Office equipment	5 - 10
Office renovation	10
Computers	5 - 10

3.5 Leases

(a) Lessee accounting

The Group and the Company present right-of-use assets as property, plant and equipment in Note 5 and lease liabilities as loans and borrowings in Note 14.

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Accordingly, the Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease.

Right-of-use assets

The right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION CONT'D

3.5 Leases CONT'D

(a) Lessee accounting CONT'D

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use the incremental borrowing rate.

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

3.6 Revenue and other income

Financing components

The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components as the Group and the Company expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Construction contracts

The Group is a general construction contractor. It constructs properties under long-term and short-term contracts with customers. Construction service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

Under the terms of the contracts, control of the works performed is transferred over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

Billings are made with a credit term of 30 days to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group become entitled to invoice customers for construction works performed based on achieving a series of performance-related milestones.

The Group recognises a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group recognises a contract liability for the difference.

Defects Liability Period is usually 12 months to 27 months from the date of Certificate of Practical Completion as provided in the contracts with customers.

The Group recognises the revenue from Ad-Hoc project with small value at the point of time where the Group transfers the promised goods or services to the customers.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

3. MATERIAL ACCOUNTING POLICY INFORMATION CONT'D

3.6 Revenue and other income CONT'D

(b) Rendering of services

Revenue from hiring services is recognised when the Group satisfied its performance obligation upon rendering its services.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Sales of fruits

Revenue from sale of fruits is recognised when the fruits have been delivered to customers.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting year. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's and the Company's financial statements within the next financial year are disclosed as follows:

(a) Impairment of trade receivables and contract assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. The Group and the Company use judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimate at the end of each reporting period.

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and forecast economic conditions over the expected lives of the financial assets and contract assets. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's and the Company's financial assets and contracts assets are disclosed in Note 25(b)(i).

NOTES TO THE FINANCIAL STATEMENTS CONT'D

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS CONT'D

(b) Construction revenue

The Group recognised construction revenue in profit or loss by using the progress towards completion satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimated total construction revenue and costs, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5. PROPERTY, PLANT AND EQUIPMENT

Group Cost	Motor vehicles RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Office renovation RM	Computers RM	Right-of-use assets RM	Total RM
At 1 January 2022	10,019,137	1,054,876	718,183	1,363,528	31,326	335,975	2,002,633	15,525,658
Additions	939,425	58,800	52,335	1,201,060	-	18,546	-	2,270,166
Disposals	(733,773)	-	-	-	-	-	-	(733,773)
Write-off	-	-	-	(4,478)	-	-	-	(4,478)
Derecognition due to end of lease term	-	-	-	-	-	-	(46,748)	(46,748)
At 31 December 2022	10,224,789	1,113,676	770,518	2,560,110	31,326	354,521	1,955,885	17,010,825
Additions	873,353	-	-	1,178,795	-	418,700	2,095,072	4,565,920
Disposals	(1,457,645)	(16,800)	-	-	-	-	-	(1,474,445)
Write off	-	-	(107,133)	(114,896)	(31,326)	(24,949)	-	(278,304)
At 31 December 2023	9,640,497	1,096,876	663,385	3,624,009	-	748,272	4,050,957	19,823,996

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5. PROPERTY, PLANT AND EQUIPMENT CONT'D

Group	Note	Motor vehicles RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Office renovation RM	Computers RM	Right-of-use assets RM	Total RM
Accumulated depreciation									
At 1 January 2022		7,793,729	687,964	325,147	737,151	31,326	169,470	895,853	10,640,640
Depreciation charge for the financial year	20	1,023,522	106,423	66,446	392,144	-	43,423	446,019	2,077,977
Disposals		(733,773)	-	-	-	-	-	-	(733,773)
Write-off		-	-	-	(187)	-	-	-	(187)
Derecognition due to end of lease term		-	-	-	-	-	-	(46,748)	(46,748)
At 31 December 2022		8,083,478	794,387	391,593	1,129,108	31,326	212,893	1,295,124	11,937,909
Depreciation charge for the financial year	20	1,082,395	100,280	66,339	576,687	-	122,887	861,020	2,809,608
Disposals		(1,450,516)	(16,800)	-	-	-	-	-	(1,467,316)
Write off		-	-	(107,133)	(114,896)	(31,326)	(24,949)	-	(278,304)
At 31 December 2023		7,715,357	877,867	350,799	1,590,899	-	310,831	2,156,144	13,001,897
Carrying amount									
At 31 December 2022		2,141,311	319,289	378,925	1,431,002	-	141,628	660,761	5,072,916
At 31 December 2023		1,925,140	219,009	312,586	2,033,110	-	437,441	1,894,813	6,822,099

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5. PROPERTY, PLANT AND EQUIPMENT CONT'D

(a) Assets under hire purchase

Net carrying amount of property plant and equipment of the Group held under hire purchase agreement is as follows:

	2023 RM	2022 RM
Group		
Motor vehicles	1,241,482	1,280,373

(b) Right-of-use-assets

Information about leases for which the Group is lessee is presented below:

	Office buildings RM	Office equipment RM	Shop building RM	Contract farming rights RM	Total RM
Cost					
At 1 January 2022	1,940,858	61,775	-	-	2,002,633
Derecognition	-	(46,748)	-	-	(46,748)
At 31 December 2022	1,940,858	15,027	-	-	1,955,885
Additions	-	36,700	22,497	2,035,875	2,095,072
At 31 December 2023	1,940,858	51,727	22,497	2,035,875	4,050,957
Accumulated depreciation					
At 1 January 2022	850,858	44,995	-	-	895,853
Depreciation	436,001	10,018	-	-	446,019
Derecognition	-	(46,748)	-	-	(46,748)
At 31 December 2022	1,286,859	8,265	-	-	1,295,124
Depreciation	436,001	10,345	7,499	407,175	861,020
At 31 December 2023	1,722,860	18,610	7,499	407,175	2,156,144
Carrying amount					
At 31 December 2022	653,999	6,762	-	-	660,761
At 31 December 2023	217,998	33,117	14,998	1,628,700	1,894,813

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5. PROPERTY, PLANT AND EQUIPMENT CONT'D

(b) Right-of-use-assets CONT'D

Buildings and equipment

The Group leases buildings and equipments for its office space and operation. The leases are mainly for an initial lease of two (2) to five (5) years (2022: two (2) to five (5) years).

Contract farming rights

On 1 January 2023, the Group had entered into two Contract Farming Lease Agreements (“CFLAs”) with the lessors, for the lease of 2 parcels of agriculture lands for a lease period of 5 years commencing from 1 January 2023. As at 31 December 2023, the Group has paid a total of lease payment of RM1,400,000 pursuant to the payment schedule of the CFLAs.

The Group recognises the contract farming rights as right-of-use assets as the lessor granted the lessee the right to control the use of the assets and granted an exclusive right to harvest, operate, and manage the trees planted thereon during the lease period.

The right-of-use asset is measured at cost less accumulated depreciation and any accumulated impairment lossess, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term.

6. INVESTMENT IN SUBSIDIARIES

	← Company →	
	2023	2022
	RM	RM
At cost		
Unquoted shares	41,529,772	41,529,772

Details of the subsidiaries are as follows:

Name of company	Principal place of business/country of incorporation	Ownership interest		Principal activities
		2023	2022	
		%	%	
Haily Construction Sdn. Bhd.	Malaysia	100	100	Building construction of residential and non-residential buildings
Haily Development Sdn. Bhd.	Malaysia	100	100	Dormant
Haily Capital Sdn. Bhd.	Malaysia	100	100	Engaged in agricultural activities of managing and harvesting of durians and other fruits
Subsidiary of Haily Construction Sdn. Bhd.				
Haily Machinery Sdn. Bhd.	Malaysia	100	100	Provision of rental of construction machinery

NOTES TO THE FINANCIAL STATEMENTS CONT'D

7. OTHER INVESTMENTS

	← Group →	
	2023	2022
	RM	RM
Financial asset designated at FVPL		
At fair value:		
Other investments	3,994,875	2,551,778

8. DEFERRED TAX ASSET/(LIABILITIES)

	As at 1 January 2023 RM	Recognised in profit or loss RM (Note 22)	As at 31 December 2023 RM
Group			
Deferred tax asset:			
Capital allowance	-	10,055	10,055
Tax losses	-	70,502	70,502
	-	80,557	80,557
Deferred tax liabilities:			
Property, plant and equipment	(129,776)	(16,651)	(146,427)
Presented after appropriate offsetting as follows:			
Deferred tax asset	-	80,557	80,557
Deferred tax liabilities	(129,776)	(16,651)	(146,427)
	(129,776)	63,906	(65,870)
	As at 1 January 2022 RM	Recognised in profit or loss RM (Note 22)	As at 31 December 2022 RM
Group			
Deferred tax liabilities:			
Property, plant and equipment	(195,196)	65,420	(129,776)

NOTES TO THE FINANCIAL STATEMENTS CONT'D

9. TRADE AND OTHER RECEIVABLES

	Note	← Group →		← Company →	
		2023 RM	2022 RM	2023 RM	2022 RM
Trade					
Trade receivables	(a)	54,614,367	47,351,034	-	-
Retention sums		37,653,726	31,186,102	-	-
		<u>92,268,093</u>	<u>78,537,136</u>	<u>-</u>	<u>-</u>
Non-trade					
Other receivables		425,138	678,173	-	-
Deposits		577,274	593,198	1,000	1,000
Prepayments		789,155	408,036	15,235	12,466
Amount owing by subsidiaries	(b)	-	-	20,779,086	16,689,231
		<u>1,791,567</u>	<u>1,679,407</u>	<u>20,795,321</u>	<u>16,702,697</u>
Total trade and other receivables		<u>94,059,660</u>	<u>80,216,543</u>	<u>20,795,321</u>	<u>16,702,697</u>

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group range from 30 days to 90 days (2022: 30 days to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

(b) Amounts owing by subsidiaries

Amounts owing by subsidiaries represent loans to subsidiaries which are unsecured, subjected to interest ranging from 4.97% to 5.49% per annum.

The information about the credit exposures are disclosed in Note 25(b)(i).

10. CONTRACT ASSETS/(LIABILITIES)

	← Group →	
	2023 RM	2022 RM
Contract assets relating to construction service contracts	<u>65,664,756</u>	<u>47,399,729</u>
Contract liabilities relating to construction service contracts	<u>(14,446)</u>	<u>(2,871,702)</u>

NOTES TO THE FINANCIAL STATEMENTS CONT'D

10. CONTRACT ASSETS/(LIABILITIES) CONT'D

(a) Contract assets

The contract assets represent the Group's rights to consideration for the work performed for the construction contracts but yet to be billed. Contract assets are transferred to receivables when the Group issues progress billings to the customers. Typically, the amount will be billed within 90 days and payments is expected within 90 days.

(b) Contract liabilities

The contract liabilities represent progress billings and deposits received for construction contracts for which performance obligations have not been satisfied. The contract liabilities are expected to be recognised as revenue over a period of 60 days.

(c) Significant changes in contract balances

	← 2023 →		← 2022 →	
	Contract assets Increase/ (decrease) RM	Contract liabilities (Increase)/ decrease RM	Contract assets Increase/ (decrease) RM	Contract liabilities (Increase)/ decrease RM
Group				
Revenue recognised that was included in contract liabilities at the beginning of the financial year	-	2,871,702	-	236,587
Increases due to cash consideration received from customers, but revenue not recognised	-	(14,446)	-	(2,871,702)
Increases as a result of changes in the measure of progress	65,664,756	-	47,399,729	-
Transfers from contract assets recognised at the beginning of the financial year to receivables	(47,399,729)	-	(39,013,696)	-

NOTES TO THE FINANCIAL STATEMENTS CONT'D

10. CONTRACT ASSETS/(LIABILITIES) CONT'D

(d) Revenue recognised in relation to contract balances

	← Group →	
	2023	2022
	RM	RM
Revenue recognised that was included in contract liabilities at the beginning of the financial year	2,871,702	236,587

Revenue recognised that was included in the contract liabilities balances at the beginning of the financial year represented primarily revenue from construction contracts when percentage of completion increases.

11. CASH AND SHORT-TERM DEPOSITS

	← Group →		← Company →	
	2023	2022	2023	2022
	RM	RM	RM	RM
Cash and bank balances	12,898,902	25,384,269	1,138,691	3,275,001
Short-term deposits	2,508,914	1,001,692	-	-
	<u>15,407,816</u>	<u>26,385,961</u>	<u>1,138,691</u>	<u>3,275,001</u>

The interest rate of the short-term deposits placed with a licensed bank as at reporting date range from 2.10% to 3.00% (2022: 1.30% to 2.95%) per annum. The short-term deposits have a maturity period ranging from 1 month to 6 months (2022: 1 month to 3 months).

Included in the deposits placed with a licensed bank of the Group, RM2,508,914 (2022: RM1,001,692) is pledged for banking facilities granted to the Group as disclosed in Note 14.

12. SHARE CAPITAL

	← Group and Company →			
	Number of ordinary shares		← Amounts →	
	2023	2022	2023	2022
	Unit	Unit	RM	RM
Issued and fully paid-up (no par value):				
At 1 January/31 December	<u>178,320,700</u>	<u>178,320,700</u>	<u>61,254,988</u>	<u>61,254,988</u>

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

13. REORGANISATION RESERVE

The reorganisation reserve arose from the differences between the carrying value of the investment and the nominal value of the shares of the subsidiary upon consolidation under the merger accounting principles.

14. BORROWINGS

	Note	← Group →	
		2023 RM	2022 RM
Non-current:			
Lease liabilities	(a)	660,975	241,762
Hire purchase payables	(b)	408,221	374,871
Term loan	(c)	1,115,799	-
		2,184,995	616,633
Current:			
Lease liabilities	(a)	307,277	463,020
Hire purchase payables	(b)	422,182	385,955
Term loan	(c)	258,156	-
Revolving credit	(d)	1,000,000	-
Bank overdraft	(e)	3,890,398	5,529,837
		5,878,013	6,378,812
Total borrowings:			
Lease liabilities	(a)	968,252	704,782
Hire purchase payables	(b)	830,403	760,826
Term loan	(c)	1,373,955	-
Revolving credit	(d)	1,000,000	-
Bank overdraft	(e)	3,890,398	5,529,837
		8,063,008	6,995,445

NOTES TO THE FINANCIAL STATEMENTS CONT'D

14. BORROWINGS CONT'D

(a) Lease liabilities

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	← Group →	
	2023	2022
	RM	RM
Minimum lease payments:		
- Not later than one year	263,880	483,240
- Later than one year and not later than five years	780,730	244,050
	1,044,610	727,290
Less: Future finance charges	(76,358)	(22,508)
Present value of minimum lease payments	968,252	704,782
Present value of minimum lease payments:		
- Not later than one year	307,277	463,020
- Later than one year and not later than five years	660,975	241,762
	968,252	704,782
Less: Amount due within twelve months	(307,277)	(463,020)
Amount due after twelve months	660,975	241,762

(b) Hire purchase payables

Hire purchase payables of the Group of RM830,403 (2022: RM760,862) bear at interest rate ranging from 1.88% to 3.77% (2022: 1.88% to 3.77%) per annum and are secured by the Group's motor vehicles under hire purchase agreements as disclosed in Note 5 (a).

(c) Term loan

Term loan of the Group of RM1,373,955 (2022: Nil) bears interest rate at 6.85% (2022: Nil) per annum and is repayable by monthly installments of RM28,709 over 5 years commencing from the day of first drawdown and is secured and supported by corporate guarantee of the Company.

(d) Revolving credit

The revolving credit of the Group are secured by way of:

- (i) Corporate guarantee by the Company
- (ii) Guarantee by the other investments as disclosed in Note 7

(e) Bank overdraft

Bank overdraft bears at interest rates ranging 0.25% to 1% (2022: 1%) per annum over the Islamic Financing Rate and is secured and supported as follows:

- (i) Corporate guarantee by the Company
- (ii) Guarantee by the other investments as disclosed in Note 7

NOTES TO THE FINANCIAL STATEMENTS CONT'D

15. TRADE AND OTHER PAYABLES

Note	← Group →		← Company →	
	2023 RM	2022 RM	2023 RM	2022 RM
Trade				
Trade payables	(a) 67,205,221	55,230,397	-	-
Retention sums	19,248,634	13,129,172	-	-
Trade accruals	1,699,179	556,663	-	-
	<u>88,153,034</u>	<u>68,916,232</u>	<u>-</u>	<u>-</u>
Non-trade				
Other payables	719,306	369,414	140	140
Accruals	1,828,784	1,324,121	92,811	94,041
	<u>2,548,090</u>	<u>1,693,535</u>	<u>92,951</u>	<u>94,181</u>
Total trade and other payables	<u>90,701,124</u>	<u>70,609,767</u>	<u>92,951</u>	<u>94,181</u>

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group ranging from 30 days to 90 days (2022: 30 days to 90 days).

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 25(b)(ii).

16. REVENUE

	← Group →		← Company →	
	2023 RM	2022 RM	2023 RM	2022 RM
Revenue from contract customers:				
Over time:				
Construction contracts	294,053,302	195,837,048	-	-
At a point in time:				
Sales of fruits	1,036,186	-	-	-
Revenue from other source:				
At a point in time:				
Construction contracts	487,824	417,978	-	-
Dividend income	-	-	3,600,000	1,800,000
	<u>295,577,312</u>	<u>196,255,026</u>	<u>3,600,000</u>	<u>1,800,000</u>

NOTES TO THE FINANCIAL STATEMENTS CONT'D

16. REVENUE CONT'D

(a) Transaction price allocated to the remaining performance obligations

	2024 RM	2025 RM	Total RM
Group			
At 31 December 2023			
Revenue expected to be recognised on:			
- Construction contracts	197,876,333	15,494,500	213,370,833

The Group applies the practical expedient in paragraph 121(a) of MFRS 15 and do not disclose information about remaining performance obligations that have original expected durations of one year or less.

17. OTHER INCOME

	← Group →		← Company →	
	2023 RM	2022 RM	2023 RM	2022 RM
Gain on disposal of property, plant and equipment	589,871	211,000	-	-
Fair value gain on other investment	-	63,833	-	-
Miscellaneous	462,934	383,495	-	-
Intercompany interest income	-	-	999,855	-
	<u>1,052,805</u>	<u>658,328</u>	<u>999,855</u>	<u>-</u>

18. INTEREST INCOME

	← Group →		← Company →	
	2023 RM	2022 RM	2023 RM	2022 RM
Interest income	218,916	289,164	34,088	67,292

NOTES TO THE FINANCIAL STATEMENTS CONT'D

19. FINANCE COSTS

	← Group →	
	2023	2022
	RM	RM
Interest expense on:		
- Lease liabilities	68,278	40,462
- Hire purchase	38,552	33,757
- Term loan	33,729	-
- Revolving credit	46,190	-
- Bank overdraft	504,710	65,242
- Short-term loans	25,665	-
	717,124	139,461

20. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit before tax:

		← Group →		← Company →	
	Note	2023	2022	2023	2022
		RM	RM	RM	RM
Auditors' remuneration					
- Baker Tilly Monteiro Heng PLT		123,500	123,500	48,500	48,500
Other services					
- Baker Tilly Monteiro Heng PLT		2,500	2,500	-	-
Other services					
- Member firms of Baker Tilly International		24,500	24,500	2,000	2,000
Depreciation of property, plant and equipment	5	2,809,608	2,077,977	-	-
Property, plant and equipment written off	5	-	4,291	-	-
Employee benefits expense	21	16,532,839	13,968,823	244,590	233,530
Expenses relating to short-term and low value lease:					
- Site copier		1,950	1,200	-	-
- Site office		-	2,500	-	-
- Site hostel		5,824	12,000	-	-
- Office		6,600	13,200	-	-
- Hostel		11,400	10,400	-	-
- Head office copier		-	2,520	-	-
		-	2,520	-	-

NOTES TO THE FINANCIAL STATEMENTS CONT'D

21. EMPLOYEE BENEFITS EXPENSE

	← Group →		← Company →	
	2023 RM	2022 RM	2023 RM	2022 RM
Salaries, allowances and bonuses	14,981,673	12,444,196	239,790	223,200
Defined contribution plans	1,120,688	1,172,033	-	-
Other staff related expenses	430,478	352,594	4,800	10,330
	<u>16,532,839</u>	<u>13,968,823</u>	<u>244,590</u>	<u>233,530</u>
Included in employee benefits expense are:				
- Directors' fees	239,790	223,200	239,790	223,200
- Directors' remuneration	2,268,000	2,396,176	-	-
- Directors' defined contribution plans	257,760	277,649	-	-
- Directors' other emoluments	66,767	72,617	-	-
	<u>2,832,317</u>	<u>2,969,642</u>	<u>239,790</u>	<u>223,200</u>

22. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2023 and 31 December 2022 are as follows:

	← Group →		← Company →	
	2023 RM	2022 RM	2023 RM	2022 RM
Statements of comprehensive income				
Current income tax:				
- Current income tax charge	3,028,241	2,550,915	230,796	12,883
- Adjustment in respect of prior year	60,765	49,494	502	315
	<u>3,089,006</u>	<u>2,600,409</u>	<u>231,298</u>	<u>13,198</u>
Deferred tax: (Note 8)				
- (Reversal)/Origination of temporary differences	(60,965)	37,532	-	-
- Adjustment in respect of prior year	(2,941)	(102,952)	-	-
	<u>(63,906)</u>	<u>(65,420)</u>	<u>-</u>	<u>-</u>
Income tax expense recognised in profit or loss	<u>3,025,100</u>	<u>2,534,989</u>	<u>231,298</u>	<u>13,198</u>

NOTES TO THE FINANCIAL STATEMENTS CONT'D

22. INCOME TAX EXPENSE CONT'D

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2022: 24%) of the estimated assessable profit for the financial year.

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	← Group →		← Company →	
	2023	2022	2023	2022
	RM	RM	RM	RM
Profit before tax	10,376,960	9,135,101	3,963,257	1,239,347
Tax at Malaysian statutory income tax rate of 24% (2022: 24%)	2,490,470	2,192,424	951,182	297,443
Adjustments:	(121,312)	(36,629)	(864,000)	(432,000)
- Income not subject to tax	598,118	432,652	143,614	147,440
- Non-deductible expenses				
- Adjustment in respect of current income tax of prior year	60,765	49,494	502	315
- Adjustment in respect of deferred tax of prior year	(2,941)	(102,952)	-	-
Income tax expense	3,025,100	2,534,989	231,298	13,198

23. EARNINGS PER SHARE

Basic earnings per ordinary share and diluted earnings per ordinary share

Basic earnings per ordinary share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per ordinary share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic and diluted earnings per ordinary share are computed as follow:

	← Group →	
	2023	2022
	RM	RM
Profit attributable to owners of the Company (RM)	7,351,860	6,600,112
Weighted average number of ordinary shares for basic and diluted earnings per share (number)	178,320,700	178,320,700
Basic and diluted earnings per share (sen)	4.12	3.70

NOTES TO THE FINANCIAL STATEMENTS CONT'D

24. DIVIDENDS

	← Group →	
	2023	2022
	RM	RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- First interim single-tier dividend for the financial year ended 31 December 2023: RM0.0056 per ordinary share, paid on 16 October 2023	998,596	-
- Second interim single-tier dividend for the financial year ended 31 December 2022: RM0.0056 per ordinary share, paid on 17 April 2023	998,596	-
- First interim single-tier dividend for the financial year ended 31 December 2022: RM0.0056 per ordinary share, paid on 7 October 2022	-	998,596
	<u>1,997,192</u>	<u>998,596</u>

On 27 March 2024, the directors declared a second interim single-tier dividend for the financial year ended 31 December 2023 at RM0.0068 per ordinary share, amounting to RM1,212,581 based on the number of outstanding ordinary shares in issue as at 22 April 2024. The second interim single-tier dividend is payable to the members on 21 May 2024 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

- (i) Amortised cost
- (ii) FVPL

	Carrying amount RM	Amortised cost RM	FVPL RM
At 31 December 2023			
Financial assets			
Group			
Other investments	3,994,875	-	3,994,875
Trade and other receivables, less prepayments	93,270,505	93,270,505	-
Cash and short-term deposits	15,407,816	15,407,816	-
	<u>112,673,196</u>	<u>108,678,321</u>	<u>3,994,875</u>
Company			
Trade and other receivables, less prepayments	20,780,086	20,780,086	-
Cash and short-term deposits	1,138,691	1,138,691	-
	<u>21,918,777</u>	<u>21,918,777</u>	<u>-</u>
Financial liabilities			
Group			
Borrowings	(7,094,756)	(7,094,756)	-
Trade and other payables	(90,701,124)	(90,701,124)	-
	<u>(97,795,880)</u>	<u>(97,795,880)</u>	<u>-</u>
Company			
Trade and other payables	<u>(92,951)</u>	<u>(92,951)</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS CONT'D

25. FINANCIAL INSTRUMENTS CONT'D

(a) Categories of financial instruments CONT'D

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned: CONT'D

	Carrying amount	Amortised cost	FVPL
	RM	RM	RM
At 31 December 2022			
Financial assets			
Group			
Other investments	2,551,778	-	2,551,778
Trade and other receivables, less prepayments	79,808,507	79,808,507	-
Cash and short-term deposits	26,385,961	26,385,961	-
	<u>108,746,246</u>	<u>106,194,468</u>	<u>2,551,778</u>
Company			
Trade and other receivables, less prepayments	16,690,231	16,690,231	-
Cash and short-term deposits	3,275,001	3,275,001	-
	<u>19,965,232</u>	<u>19,965,232</u>	<u>-</u>
Financial liabilities			
Group			
Borrowings	(6,290,663)	(6,290,663)	-
Trade and other payables	(70,609,767)	(70,609,767)	-
	<u>(76,900,430)</u>	<u>(76,900,430)</u>	<u>-</u>
Company			
Trade and other payables	(94,181)	(94,181)	-

NOTES TO THE FINANCIAL STATEMENTS CONT'D

25. FINANCIAL INSTRUMENTS CONT'D

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Company's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on their obligations. The Group and the Company are exposed to credit risk from their operating activities (primarily trade receivables) and from their financing activities, including deposits with banks and financial institutions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables and contract assets

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the statements of financial position.

The carrying amounts of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

At the end of the reporting period, the Group has a significant concentration of credit risk in the form of seven (7) (2022: eight (8)) trade receivables, representing approximately 96.6% (2022: 97.4%) of the Group's total trade receivables.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

25. FINANCIAL INSTRUMENTS CONT'D

(b) Financial risk management CONT'D

(i) Credit risk CONT'D

Trade receivables and contract assets CONT'D

The Group and the Company apply the simplified approach to providing for impairment losses prescribed by MFRS 9 Financial Instruments, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the impairment losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows:

	Contract assets RM	Retention sums RM	Current RM	Trade receivables					Total RM
				1 to 30 days past due RM	31 to 60 days past due RM	61 to 90 days past due RM	91 to 120 days past due RM	> 120 days past due RM	
Group									
At 31 December 2023									
Gross carrying amount	65,664,756	37,653,726	19,991,333	11,566,011	4,845,468	4,771,899	661,685	12,777,971	54,614,367
Impairment losses	-	-	-	-	-	-	-	-	-
Net balance	65,664,756	37,653,726	19,991,333	11,566,011	4,845,468	4,771,899	661,685	12,777,971	54,614,367
At 31 December 2022									
Gross carrying amount	47,399,729	31,186,102	35,505,719	6,347,950	3,773,010	-	8,775	1,715,580	47,351,034
Impairment losses	-	-	-	-	-	-	-	-	-
Net balance	47,399,729	31,186,102	35,505,719	6,347,950	3,773,010	-	8,775	1,715,580	47,351,034

NOTES TO THE FINANCIAL STATEMENTS CONT'D

25. FINANCIAL INSTRUMENTS CONT'D

(b) Financial risk management CONT'D

(i) Credit risk CONT'D

Other receivables and other financial assets

For other receivables and other financial assets, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial asset is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

Intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

As at the end of reporting date, the Group and the Company consider the other receivables and other financial assets as low credit risk and any loss allowance would be negligible.

Financial guarantees contract

The maximum credit risk that the Company is exposed to from corporate guarantees amounted to RM6,264,353 (2022: RM5,529,837).

Currently, the Company considers the financial guarantees to be of low credit risk as the guarantee are provided as credit enhancement to the subsidiaries' secured borrowings.

As at the reporting date, there have no losses arising from the financial guarantees and undertakings provided by the Company. The fair value of the financial guarantee has not been recognised since the fair value on initial recognition is not material.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

25. FINANCIAL INSTRUMENTS CONT'D

(b) Financial risk management CONT'D

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arises principally from trade and other payables and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investments and minimise cost on borrowed funds. The Group's and the Company's finance department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

25. FINANCIAL INSTRUMENTS CONT'D

(b) Financial risk management CONT'D

(ii) Liquidity risk CONT'D

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturities at the reporting date based on contractual undiscounted repayment obligations are as follows:

	← Contractual cash flows →				Total RM
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	
Group					
At 31 December 2023					
Trade and other payables	90,701,124	90,701,124	-	-	90,701,124
Lease liabilities	968,252	263,880	780,730	-	1,044,610
Hire purchase	830,403	452,545	423,853	-	876,398
Term loan	1,373,955	344,508	1,263,204	-	1,607,712
Revolving credit	1,000,000	1,000,000	-	-	1,000,000
Bank overdraft	3,890,398	3,890,398	-	-	3,890,398
	98,764,132	96,652,455	2,467,787	-	99,120,242
At 31 December 2022					
Trade and other payables	70,609,767	70,609,767	-	-	70,609,767
Lease liabilities	704,782	483,240	244,050	-	727,290
Hire purchase	760,826	412,903	388,973	-	801,876
Bank overdraft	5,529,837	5,529,837	-	-	5,529,837
	77,605,212	77,035,747	633,023	-	77,668,770
Company					
At 31 December 2023					
Trade and other payables	92,951	92,951	-	-	92,951
Financial guarantee	6,264,353	6,264,353	-	-	6,264,353
At 31 December 2022					
Trade and other payables	94,181	94,181	-	-	94,181
Financial guarantee	5,529,837	5,529,837	-	-	5,529,837

NOTES TO THE FINANCIAL STATEMENTS CONT'D

25. FINANCIAL INSTRUMENTS CONT'D

(b) Financial risk management CONT'D

(iii) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

Sensitivity analysis of interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial year.

	Carrying amount RM	Change in basis points	Effect on equity and profit for the financial year RM
Group			
31 December 2023			
Term Loan	1,373,955	+50	(5,221)
		-50	5,221

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings are reasonably approximate to their fair value due to relatively short-term nature of these financial instruments.

There have been no transfers between Level 1, Level 2 and Level 3 during the financial year (2022: no transfer in either directions).

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

	Carrying amount RM	Fair value of financial instruments carried at fair value			Total RM
		Level 1 RM	Level 2 RM	Level 3 RM	
Group					
31 December 2023					
Financial asset					
Non-current					
Other investments	3,994,875	3,994,875	-	-	3,994,875
31 December 2022					
Financial asset					
Non-current					
Other investments	2,551,778	2,551,778	-	-	2,551,778

NOTES TO THE FINANCIAL STATEMENTS CONT'D

26. COMMITMENTS

(a) Capital commitments

The Group has made commitments for the following capital expenditures:

	← Group →	
	2023	2022
	RM	RM
Computer software	-	293,090

27. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group and the Company include:

- (i) Company's holding company;
- (ii) Subsidiaries; and
- (iii) Key management personnel of the Group and the Company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities or indirectly.

(b) Significant related parties transactions

Significant related parties transactions other than disclosed elsewhere in the financial statements are as follows:

	← Group →		← Company →	
	2023	2022	2023	2022
	RM	RM	RM	RM
Rental expenses				
- Company's holding company	480,000	480,000	-	-
Dividend income				
- Subsidiary	-	-	3,600,000	1,800,000
Interest income				
- Subsidiary	-	-	999,855	-

NOTES TO THE FINANCIAL STATEMENTS CONT'D

27. RELATED PARTIES CONT'D

(c) Compensation of key management personnel

	← Group →		← Company →	
	2023 RM	2022 RM	2023 RM	2022 RM
Salaries, allowances and bonuses	2,986,590	3,161,626	239,790	223,200
Defined contribution plans	315,216	337,499	-	-
Other staff related expenses	82,240	91,765	-	-
	<u>3,384,046</u>	<u>3,590,890</u>	<u>239,790</u>	<u>223,200</u>

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Note 9(b).

28. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended 31 December 2023 and 31 December 2022.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity.

The gearing ratio as at 31 December 2023 and 31 December 2022 are as follows:

	Note	← Group →	
		2023 RM	2022 RM
Borrowings/Total debts	14	8,063,008	6,995,445
Total equity		85,916,184	80,561,516
Gearing ratio (times)		<u>0.09</u>	<u>0.09</u>

There were no changes in the Group's and the Company's approach to capital management during the financial year under review.

The Group is required to comply with externally imposed capital requirements on leverage ratio and maintain certain net worth in respect of its bank borrowings. The Group has complied with those capital requirements.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

29. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 Operating Segments based on the internal reports of the Group's strategic business units which are regularly reviewed by directors for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:

Segments	Product and services
Building construction	Building construction of residential and non-residential buildings
Others	Civil engineering construction works, rental of construction machinery and engaged in agricultural activities of managing and harvesting of durian and other fruits.

Inter-segment pricing is determined on negotiated basis.

Segment profit

Segment performance is used to measure performance as Group's CEO believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Performance is evaluated based on operating profit or loss which is measured differently from operating profit or loss in the consolidated financial statements.

Segment assets

The total of segment asset is measured based on all assets of a segment, as included in the internal reports that are reviewed by the Group's CEO.

Segment liabilities

Segment liabilities are not included in the internal reports that are reviewed by the Group's CEO, hence no disclosures are made on segment liabilities.

NOTES TO THE FINANCIAL STATEMENTS CONT'D

29. SEGMENT INFORMATION CONT'D

	Building construction RM	Others RM	Adjustment and eliminations RM	Total RM
2023				
Revenue:				
Revenue from external customers	294,017,888	1,559,424	-	295,577,312
Inter-segment revenue	-	6,448,791	(6,448,791)	-
	<u>294,017,888</u>	<u>8,008,215</u>	<u>(6,448,791)</u>	<u>295,577,312</u>
Results:				
<i>Included in the measure of segment profit are:</i>				
Gain on disposal of property, plant and equipment	589,871	-	-	589,871
Interest income	167,874	51,042	-	218,916
Depreciation of property, plant and equipment	(2,188,381)	(628,627)	7,400	(2,809,608)
Employee benefits expense	(14,810,761)	(1,647,116)	-	(16,457,877)
Interest expenses	(1,663,159)	(138,073)	1,084,108	(717,124)
Expenses relating to short-term and low value leases	(25,774)	-	-	(25,774)
Segment profit	<u>9,781,439</u>	<u>4,188,121</u>	<u>(3,592,600)</u>	<u>10,376,960</u>
Income tax expenses	(2,730,002)	(295,098)	-	(3,025,100)
Profit for the financial year	<u>7,051,437</u>	<u>3,893,023</u>	<u>(3,592,600)</u>	<u>7,351,860</u>
Assets:				
Additions to non-current assets	2,261,797	2,304,123	-	4,565,920
Segment assets	<u>182,434,949</u>	<u>69,550,825</u>	<u>(65,953,477)</u>	<u>186,032,297</u>

NOTES TO THE FINANCIAL STATEMENTS CONT'D

29. SEGMENT INFORMATION CONT'D

	Building construction RM	Others RM	Adjustment and eliminations RM	Total RM
2022				
Revenue:				
Revenue from external customers	195,741,280	513,746	-	196,255,026
Inter-segment revenue	-	4,510,199	(4,510,199)	-
	<u>195,741,280</u>	<u>5,023,945</u>	<u>(4,510,199)</u>	<u>196,255,026</u>
Results:				
<i>Included in the measure of segment profit are:</i>				
Gain on disposal of property, plant and equipment	211,000	-	-	211,000
Interest income	187,440	101,724	-	289,164
Fair value gain of other investment	63,833	-	-	63,833
Depreciation of property, plant and equipment	(1,920,558)	(164,819)	7,400	(2,077,977)
Property, plant and equipment written off	(4,291)	-	-	(4,291)
Employee benefits expense	(12,490,842)	(1,410,015)	-	(13,900,857)
Interest expenses	(136,455)	(3,006)	-	(139,461)
Expenses relating to short-term and low value leases	(41,820)	-	-	(41,820)
Segment profit	<u>9,104,868</u>	<u>1,822,832</u>	<u>(1,792,599)</u>	<u>9,135,101</u>
Income tax expenses	(2,377,666)	(157,323)	-	(2,534,989)
Profit for the financial year	<u>6,727,202</u>	<u>1,665,509</u>	<u>(1,792,599)</u>	<u>6,600,112</u>
Assets:				
Additions to non-current assets	2,270,166	-	-	2,270,166
Segment assets	<u>156,107,068</u>	<u>65,388,679</u>	<u>(59,866,528)</u>	<u>161,629,219</u>

Reconciliation of reportable segment revenue, profit or loss, assets and liabilities are as follows:

- (a) Inter-segment revenues are eliminated on consolidation;
- (b) Inter-segment income and expenses are eliminated on consolidation; and
- (c) Inter-segment balances are eliminated on consolidation

NOTES TO THE FINANCIAL STATEMENTS CONT'D**29. SEGMENT INFORMATION** CONT'DGeographical information

The Group operates predominantly in Malaysia and hence, no geographical segment is presented.

Information about major customers

For construction segment, the revenue from the major customers was as follows:

	← Group →	
	2023	2022
	RM	RM
Customer I	60,366,553	36,511,137
Customer II	58,683,882	30,275,405
Customer III	49,576,914	25,570,036
Customer IV	46,308,788	22,935,003
Customer V	20,788,575	21,973,456
Customer VI	20,030,897	21,077,190
	255,755,609	158,342,227

STATEMENT BY DIRECTORS (PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016)

We, **SEE TIN HAI** and **YOONG WOEI YEH**, being two of the directors of Haily Group Berhad, do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

.....
SEE TIN HAI
Director

.....
YOONG WOEI YEH
Director

Johor Bahru

Date: 27 March 2024

**STATUTORY DECLARATION
(PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016)**

I, **LONG CHEOW SIONG**, being the officer primarily responsible for the financial management of Haily Group Berhad, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

.....
LONG CHEOW SIONG
(MIA Membership No: 10464)

Subscribed and solemnly declared by the abovenamed at Johor Bahru in the state of Johor on 27 March 2024.

Before me,

.....
Commissioner for Oaths

LAU LAY SUNG
NO. J246

Johor Bahru

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAILY GROUP BERHAD (INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Haily Group Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including material accounting policy information, as set out on pages 69 to 112.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with the *Malaysian Financial Reporting Standards*, *International Financial Reporting Standards* and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Revenue recognition for construction activities (Note 16 to the financial statements)

The amount of revenue of the Group's construction activities is recognised over the period of contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of performance obligation is determined by reference to proportion of construction cost incurred for works performed to date bear to the estimated total costs for each project.

We focus on this area because significant judgement is required, in particular with regards to determining the progress towards complete satisfaction of a performance obligation, the extent of the construction costs incurred, the estimated total construction contracts revenue and costs, as well as recoverability of the construction contracts projects. The estimated total revenue and costs are affected by a variety of uncertainties that depend on the outcome of future events.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAILY GROUP BERHAD (INCORPORATED IN MALAYSIA) CONT'D

Key Audit Matters CONT'D

Group CONT'D

Revenue recognition for construction activities (Note 16 to the financial statements) CONT'D

Our response:

Our audit procedures on a sample of major projects included, among others:

- reading the terms and conditions of agreements with customers;
 - understanding the Group's process in preparing project budget and the calculation of the progress towards anticipated satisfaction of performance obligation;
 - comparing Group's major assumptions to contractual terms, our understanding gathered from the analysis of changes in the assumptions from previous financial year and discussing with project manager; and
 - checking the mathematical computation of recognised revenue for the projects during the financial year.
-

Trade receivables and contract assets (Notes 4, 9 and 10 to the financial statements)

The Group has significant trade receivables and contract assets as at 31 December 2023. We focus on this area because the Group made significant judgements over assumptions about risk of default and expected loss rate. In making the assumptions, the Group selected inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of the reporting period.

Our response:

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring of outstanding receivables and contract assets and impairment calculation;
- understanding of significant credit exposures through analysis of ageing reports prepared by management;
- obtaining confirmation of balances from selected receivables;
- checking subsequent receipts, customer correspondence, and considering level of activity with the customer and management explanation on recoverability with past due balances; and
- testing the reasonableness of expected credit losses provided as at the end of the reporting period.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAILY GROUP BERHAD (INCORPORATED IN MALAYSIA) CONT'D

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the *Malaysian Financial Reporting Standards*, *International Financial Reporting Standards* and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company'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 intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 approved standards on auditing in Malaysia and 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 these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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 and of the Company'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 directors' 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 and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company 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 and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company 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 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF HAILY GROUP BERHAD (INCORPORATED IN MALAYSIA) CONT'D

Auditors' Responsibilities for the Audit of the Financial Statements CONT'D

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.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Kuala Lumpur

Date: 27 March 2024

Ng Boon Hiang
No. 02916/03/2026 J
Chartered Accountant

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 19 MARCH 2024

Issued Share Capital	:	RM61,929,868-00 comprised of 178,320,700 ordinary shares fully paid
Class of shares	:	Ordinary shares
Voting rights	:	One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDERS ACCORDING TO STATISTICAL SUMMARY OF THE RECORD OF DEPOSITORS AS AT 19 MARCH 2024

No. of shareholders	Size of shareholdings	No. of shares held	%
7	Less than 100 shares	100	0.00
195	100 to 1,000 shares	124,320	0.07
689	1,001 to 10,000 shares	3,923,700	2.20
449	10,001 to 100,000 shares	14,703,380	8.25
76	100,001 to less than 5% of issued shares	29,248,500	16.40
1	5% and above of issued shares	130,320,700	73.08
1,417	TOTAL	178,320,700	100.00

LIST OF 30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 19 MARCH 2024

No.	Name of shareholders	No. of shares held	%
1	HAILY HOLDINGS SDN BHD	130,320,700	73.08
2	WONG CHEE SEAN @ WONG SEAN	5,283,700	2.96
3	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENG AH MOI (8060540)	1,551,700	0.87
4	NG KIM LENG	1,500,000	0.84
5	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH YONG HUAT	1,180,000	0.66
6	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHO PING	872,000	0.49
7	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA KENG HUAT (E-JAH)	852,000	0.48
8	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR BEH YONG WAH	720,300	0.40
9	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO TIEN DING	685,000	0.38
10	YON MARKETING SDN BHD	650,000	0.36
11	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG CHEE HAO (E-JBU)	635,500	0.36
12	LIM TECK LOONG	512,000	0.29
13	SEE SWEE LING	500,000	0.28
14	YOONG WOEI YEH	500,000	0.28
15	LIEW TAT YANG	466,300	0.26
16	LOW CHIN CHUN	430,000	0.24
17	EDMUND CH'NG CHENG YOON	400,000	0.22
18	LAU LI YIN	400,000	0.22

ANALYSIS OF SHAREHOLDINGS CONT'D

LIST OF 30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 19 MARCH 2024 CONT'D

No.	Name of shareholders	No. of shares held	%
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR LEE WAI HIN	400,000	0.22
20	NG CHIN HOE	400,000	0.22
21	NG TIM FOO	400,000	0.22
22	WINSTON CHIEW SOON KIAT	400,000	0.22
23	CHIEW KHA CHAI	392,800	0.22
24	KHO YIK	357,000	0.20
25	CHEW JIIN @ CHEW LEE CHIN	342,700	0.19
26	OH ENG LEONG	300,000	0.17
27	RHB NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR KHO PING	300,000	0.17
28	TAY HONG SING	300,000	0.17
29	PHILLIP NOMINEES (TEMPATAN) SDN BHD PLEGDED SECURITIES ACCOUNT FOR YEOH HOCK SENG	295,100	0.17
30	MAYBANK NOMINEES (TEMPATAN) SDN BHD TING HIE SING	280,000	0.16

SUBSTANTIAL SHAREHOLDERS AS AT 19 MARCH 2024

(As per Register of Substantial Shareholders)

No.	Name of shareholders	Direct Interest	No. of shares held		
			%	Deemed Interest	%
1	HAILY HOLDINGS SDN BHD	130,320,700	73.08	-	-
2	SEE TIN HAI	-	-	130,440,700 ^{(a)(b)}	73.15
3	KIK SIEW LEE	-	-	130,320,700 ^(a)	73.08

DIRECTORS' SHAREHOLDINGS AS AT 19 MARCH 2024

(As per Register of Directors' Shareholdings)

No.	Name of Directors	Direct Interest	No. of shares held		
			%	Deemed Interest	%
1	HAJI MOHD JAFFAR BINAWANG (ISMAIL)	100,000	0.06	-	-
2	SEE TIN HAI	-	-	130,440,700 ^{(a)(b)}	73.15
3	YOONG WOEI YEH	500,000	0.28	-	-
4	SEE SWEE LING	500,000	0.28	-	-
5	SEE CUL WEI	-	-	-	-
6	ONG KHENG SWEE	100,000	0.06	-	-
7	TAN SUI HUAT	100,000	0.06	-	-
8	POH BOON HUWI	-	-	-	-

Notes:

- (a) Deemed interest by virtue of his/her interest in Haily Holdings Sdn. Bhd. pursuant to Section 8(4) of the Act.
 (b) Deemed interest by virtue of his daughters, See Yee Wei's and See Yee Han's interests in Haily pursuant to Section 59(11)(c) of the Act.

NOTICE OF FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Fourth Annual General Meeting (“4th AGM”) of **HAILY GROUP BERHAD** (“Haily” or “Company”) will be held at Maharani 1 (Level 1), Impiana Hotel Senai, Jalan Impian Senai Utama 2, Taman Impian Senai, 81400 Senai, Johor on Tuesday, 28 May 2024 at 9.30 a.m. for the following purposes: -

AGENDA

AS ORDINARY BUSINESS:

- | | | |
|----|--|--|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2023 together with the Reports of the Directors and Auditors thereon. | (Please refer to Explanatory Note 1) |
| 2. | To re-elect Mr Yoong Woei Yeh, a Director retiring by rotation pursuant to Clause 133 of the Company’s Constitution. | ORDINARY RESOLUTION 1 |
| 3. | To re-elect Mr Ong Kheng Swee, a Director retiring by rotation pursuant to Clause 133 of the Company’s Constitution. | ORDINARY RESOLUTION 2 |
| 4. | To re-elect Ms Poh Boon Huwi, a Director retiring by rotation pursuant to Clause 133 of the Company’s Constitution. | ORDINARY RESOLUTION 3 |
| 5. | To approve the payment of Directors’ Fees of RM240,660 for the financial year ending 31 December 2024, payable quarterly in arrears. | ORDINARY RESOLUTION 4
(Please refer to Explanatory Note 2) |
| 6. | To re-appoint Baker Tilly Monteiro Heng PLT, as Auditors of the Company for the financial year ending 31 December 2024 and to authorise the Directors to fix their remuneration. | ORDINARY RESOLUTION 5 |

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolution: -

- | | | |
|----|---|--|
| 7. | AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 | ORDINARY RESOLUTION 6
(Please refer to Explanatory Note 3) |
| | <p>“THAT subject always to the Companies Act 2016, the ACE Market Listing Requirements (“ACE LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Constitution of the Company and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten percent (10%) of the total number of issued shares of the Company for the time being AND THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued AND FURTHER THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company (“General Mandate”).</p> | |

NOTICE OF FOURTH ANNUAL GENERAL MEETING CONT'D

AS SPECIAL BUSINESS: CONT'D

7. AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 CONT'D

THAT in connection with the above, pursuant to Section 85 of the Companies Act 2016 to be read together with Clause 65 of the Constitution of the Company, the shareholders of the Company do hereby waive their statutory pre-emptive rights over all new shares to be offered and issued pursuant to the above General Mandate, such new shares when issued, to rank *pari passu* with the existing issued shares of the Company.”

8. To transact any other business for which due notice shall have been given in accordance with the Company’s Constitution and/or the Companies Act 2016.

BY ORDER OF THE BOARD

IRENE JUAY YEE LUAN (MAICSA 7057249)
SSM Practicing Certificate No. 202008001193

HEW JING SIAN (MAICSA 7065968)
SSM Practicing Certificate No. 202008001325
Company Secretaries

Date: 24 April 2024

NOTES:

1. A member of the Company entitled to attend and vote is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.
2. A member of the Company may appoint not more than two (2) proxies to attend the meeting, provided that the member specifies the proportion of the member’s shareholding to be represented by each proxy, failing which, the appointments shall be invalid.
3. A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.
4. Where a member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“**omnibus account**”) there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited with the Share Registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

NOTICE OF FOURTH ANNUAL GENERAL MEETING CONT'D

NOTES: CONT'D

7. Subject to the Constitution, shareholders may deposit the instrument appointing the proxy by electronics means by way of submitting the instrument with the Share Registrar via **TIIH Online** at <https://tiih.online> not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
8. An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.
9. In respect of deposited securities, only members whose names appear on the Record of Depositors on **17 May 2024**, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

EXPLANATORY NOTES:

Ordinary Business: -

1. **Item 1 of the Agenda**
Audited Financial Statements for the financial year ended 31 December 2023

This Agenda item is meant for discussion only and does not require a formal approval of the shareholders and hence, is not put forward for voting.

2. **Ordinary Resolution 4**
Directors' Fees for the financial year ending 31 December 2024

The proposed Ordinary Resolution 4, if passed, will facilitate the payment of Directors' fees for the financial year ending 31 December 2024, payable quarterly in arrears to the Independent Non-Executive Directors as members of the Board and Board Committees.

Special Business: -

3. **Ordinary Resolution 6**
Authority to Issue Shares Pursuant to Sections 75 And 76 of the Companies Act 2016

The proposed Ordinary Resolution 6 is a renewal of the General Mandate pursuant to Sections 75 and 76 of the Companies Act 2016 obtained from the shareholders of the Company at the Third Annual General Meeting ("**3rd AGM**") and if passed, will empower the Directors of the Company to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company for the time being.

The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The General Mandate, if passed will enable the Directors to take swift action in case of a need to issue and allot new shares and provide flexibility to the Company to raise additional funds expeditiously and efficiently to meet its funding requirements including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, operational expenditures, investment project(s), and/or acquisition(s) or such other application as the Directors may deem fit in the best interest of the Company.

NOTICE OF FOURTH ANNUAL GENERAL MEETING CONT'D

EXPLANATORY NOTES: CONT'D

Special Business: - CONT'D

3. Ordinary Resolution 6

Authority to Issue Shares Pursuant to Sections 75 And 76 of the Companies Act 2016 CONT'D

Pursuant to Section 85 of the Companies Act 2016 to be read together with Clause 65 of the Constitution of the Company, shareholders have pre-emptive rights to be offered any new shares in the Company which rank equally to the existing issued shares in the Company or other convertible securities.

By approving the Proposed Ordinary Resolution 6, the shareholders do hereby agree to irrevocably waive their statutory pre-emptive rights pursuant to Section 85 of the Companies Act 2016 read together with Clause 65 of the Constitution of the Company.

As at the date of this Notice, no new shares of the Company have been issued pursuant to the General Mandate obtained at the 3rd AGM of the Company held on 24 May 2023, which will lapse at the conclusion of the 4th AGM.

Voting by Poll

Pursuant to Rule 8.31A of the ACE LR of Bursa Securities, all resolutions set out in this Notice are to be voted by poll.

No. of Shares held	
CDS Account No. (For Nominees Account Only)	

I/We, _____,
 (NRIC / Company Registration No. _____)
 of (full address) _____,
 (email address) _____ and (contact no.) _____

a member/members of HAILY GROUP BERHAD hereby appoint:

Name of Proxy (Full Name)	NRIC No./Passport No.	% of Shareholding to be Represented (Refer to Note 2)
Address	Email Address	Contact No.

* and/or failing him/her

Name of Proxy (Full Name)	NRIC No./Passport No.	% of Shareholding to be Represented (Refer to Note 2)
Address	Email Address	Contact No.

or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the 4th Annual General Meeting of the Company to be held at Maharani 1 (Level 1), Impiana Hotel Senai, Jalan Impian Senai Utama 2, Taman Impian Senai, 81400 Senai, Johor on Tuesday, 28 May 2024 at 9.30 a.m. and at every adjournment thereof to vote as indicated below in respect of the following Resolutions:-

* Delete where applicable.

ORDINARY BUSINESS		For	Against
Ordinary Resolution 1	Re-election of Mr Yoong Woei Yeh		
Ordinary Resolution 2	Re-election of Mr Ong Kheng Swee		
Ordinary Resolution 3	Re-election of Ms Poh Boon Huwi		
Ordinary Resolution 4	Approval of Directors' Fees		
Ordinary Resolution 5	Re-appointment of Auditors		
SPECIAL BUSINESS			
Ordinary Resolution 6	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

Dated this day of 2024

.....
 Signature / Common Seal of Member(s)

NOTES:

1. A member of the Company entitled to attend and vote is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.
2. A member of the Company may appoint not more than two (2) proxies to attend the meeting, provided that the member specifies the proportion of the member's shareholding to be represented by each proxy, failing which, the appointments shall be invalid.
3. A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.
4. Where a member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
5. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("**omnibus account**") there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
6. The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited with the Share Registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, Tricor Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
7. Subject to the Constitution, shareholders may deposit the instrument appointing the proxy by electronics means by way of submitting the instrument with the Share Registrar via **TIIH Online** at <https://tiih.online> not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
8. An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.
9. In respect of deposited securities, only members whose names appear on the Record of Depositors on **17 May 2024**, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Voting by Poll

Pursuant to Rule 8.31A of the ACE LR of Bursa Securities, all resolutions set out in this Notice are to be voted by poll.

Fold Here

STAMP

Share Registrar
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
Malaysia

Fold Here



Kontraktor Pembinaan

Haily Group Berhad 202001006412 (1362732-T)
Haily Construction Sdn. Bhd. 2020791614672 (173018-S)

No. 3339, Jalan Pekeliling Tanjung 27, Kawasan Perindustrian Indahpura, 81000 Kulai, Johor.



HAILY GROUP BERHAD

202001006412 (1362732-T)

No. 3339, Jalan Pekeliling Tanjung 27

Kawasan Perindustrian Indahpura

81000 Kulai, Johor

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Fax No.: +607-663 8866

Email: corporate@haily.com.my

Website : www.haily.my