Haily Group

202001006412 (1362732-T)

ANNUAL REPORT 2022

MESSAGE FROM CHAIRMAN

Dear Valued Shareholders,

On behalf of my colleagues on the Board of Haily Group Berhad, I am honoured to present our second 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 2022.

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

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CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Chairman
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
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

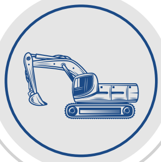
Haily Construction Sdn Bhd ("**Haily Construction**") was incorporated in May 2007.

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.

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.

2016

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

2018

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

2019

We were accredited ISO 9001:2015 which was valid from 5 December 2022 to 5 December 2023.

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 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

HAILY GROUP BERHAD
REGISTRATION
NO.202001006412 (1362732-T)

PRINCIPAL ACTIVITIES
Investment Holding

100%

HAILY CONSTRUCTION SDN BHD
REGISTRATION
NO.200701014672 (772678-X)

PRINCIPAL ACTIVITIES
Building Construction of Residential and Non-Residential Buildings

100%

HAILY MACHINERY SDN BHD
REGISTRATION
NO.201101027215 (955350-M)

PRINCIPAL ACTIVITIES
Provision of Rental of Construction Machinery

100%

HAILY DEVELOPMENT SDN BHD
REGISTRATION
NO.202201021862 (1467559-T)

PRINCIPAL ACTIVITIES
Dormant

100%

HAILY CAPITAL SDN BHD
REGISTRATION
NO. 202201031814 (1477511-T)

PRINCIPAL ACTIVITIES
Engaged in Agricultural Activities of Managing and Harvesting of Durian and Other Fruits

FIVE-YEARS FINANCIAL HIGHLIGHTS

Financial Year ended 31 December	2018[1] RM'000	2019[1] RM'000	2020[1] RM'000	2021 RM'000	2022 RM'000
Revenue	173,787	157,918	166,132	124,066	**196,255**
Gross Profit	22,168	22,937	27,484	21,915	**23,604**
Profit Before Taxation	11,941	11,930	14,503	9,084	**9,135**
Profit After Taxation	8,487	8,886	10,444	6,257	**6,600**
Profit Attributable to Owners of the Company	8,445	8,856	10,444	6,257	**6,600**
Total Assets	106,457	114,207	136,795	133,233	**161,629**
Total Equity	41,342	44,030	51,974	74,960	**80,562**
Net Assets Attributable to Owners of the Company	41,177	44,030	51,974	74,960	**80,562**
Number of Shares after the IPO ('000)	178,321[2]	178,321[2]	178,321[2]	178,321	**178,321**
Basic/Diluted Earnings Per Share (sen)	4.74[3]	4.97[3]	5.86[3]	3.87[5]	**3.70**[5]
Net Assets Per Share Attributable to Owners of the Company (RM)	0.23[4]	0.25[4]	0.29[4]	0.42	**0.45**
Gearing Ratio (times)[6]	0.07	0.04	0.15	0.03	**0.09**

Notes:

(1) Based on the Accountants' Report set out in Section 13 of the Prospectus of the Company dated 30 June 2021.

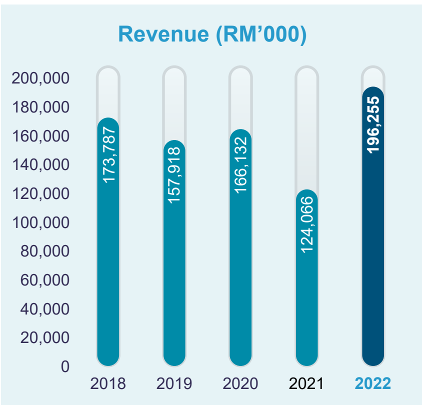
(2) To facilitate a 5 years snapshot for comparison purposes only, Number of Shares is based on the ordinary shares in issue of the Company after its Initial Public Offering (IPO).

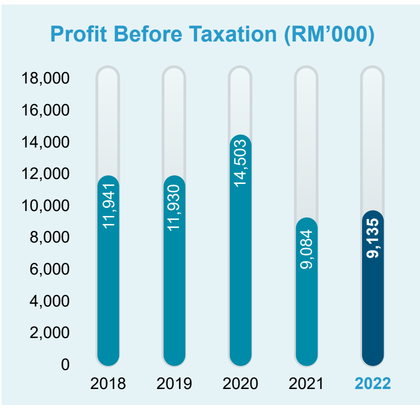
(3) To facilitate a 5 years snapshot for comparison purposes only, Earnings Per Share is computed based on Profit Attributable to Owners of the Company divided by the number of ordinary shares in issue after its IPO.

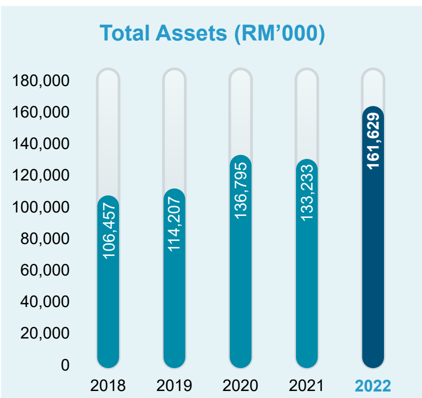
(4) To facilitate a 5 years snapshot for comparison purposes only, Net Assets Per Share is computed based on Net Assets Attributable to Owners of the Company divided by the number of ordinary shares in issue after its IPO.

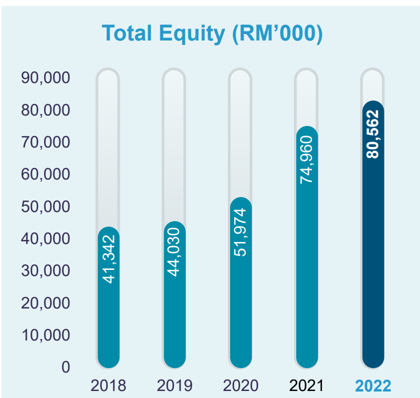
(5) Computed based on Profit Attributable to Owners of the Company divided by the weighted average number of ordinary shares in issue during the FYE 2021 and FYE 2022 of 161.48 million Shares and 178.32 million Shares respectively

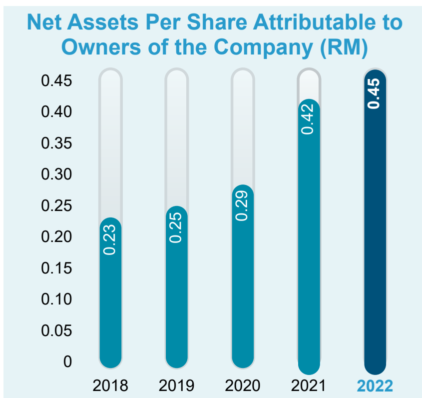
(6) Gearing Ratio is calculated based on borrowings/total debts over total equity.











BOARD OF DIRECTORS ("BOARD")

See Tin Hai
Founder and Executive Director

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

See Swee Ling
Executive Director

See Cul Wei
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 70

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 62

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.

DIRECTORS' PROFILES CONT'D

Yoong Woei Yeh

CEO and
Executive Director

Malaysian
Male
Age 44

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.

See Swee Ling

Executive Director

Malaysian
Female
Age 37

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 29

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 67

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 65

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 68

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

During the financial year and up to the date of this Report, none of the 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 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'S PROFILES

Long Cheow Siong

Chief Financial Officer
("**CFO**")

Malaysian
Male
Age 58

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

Chief Operating Officer
("**COO**")

Malaysian
Male
Age 45

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 2022.

Yoong Woei Yeh

CEO and Executive Director

INTRODUCTION

Haily is in its second year as a publicly listed entity, having been listed on the ACE Market of Bursa Securities since 21 July 2021. The past three (3) years have been challenging as we manoeuvre out of the COVID-19 pandemic. As the country transited into the endemicity stage following the reopening of the economy, 2022 was a difficult year as the construction industry was faced with issues of disruption in the supply of building construction materials as well as shortages in construction labours which eventually led to escalation in costs of building construction. The world is still reeling from the aftermath of the Russian-Ukraine war that broke out in February 2022 which saw major disruptions to the supply chain and escalation in prices of raw material and energy, leading to further uncertainty in the recovery stage of the global economy.

Having registered a strong rebound at 8.7% in 2022, the Malaysian economy is expected to grow by a slower pace at 4.5% in 2023 as announced by the Prime Minister in his budget speech on 24 February 2023. The Department of Statistics Malaysia has reported that the construction sector posted a rebound of 8.8% in 2022 after two years in the declining trend.

In spite of all the challenges as described in the above, Haily 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 well as the provision of rental of construction machinery. 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.

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

REVIEW OF OPERATIONS AND BUSINESS STRATEGIES CONT'D

TOTAL CONTRACT VALUE

RM116.62 MILLION
(FROM 9 PROJECTS AWARDED IN FYE 2022)

RM148.79 MILLION
(FROM 3 PROJECTS AWARDED FROM 1 JANUARY 2023 UP TO 21 MARCH 2023)

RM1.51 BILLION SINCE 2008
(FROM TOTAL OF 79 PROJECTS COMPLETED AS AT 21 MARCH 2023)

TOTAL ORDER BOOK

RM377.93 MILLION
(FROM 24 ON-GOING PROJECTS AS AT 21 MARCH 2023)

Our Group has secured a total contract value of RM116.62 million from 9 building construction projects and civil engineering construction works during the financial year ended 31 December 2022 ("**FYE 2022**"). From 1 January 2023 up to 21 March 2023, our Group secured an additional 3 building construction projects with a total contract value amounting to RM148.79 million.

We have a proven track record as an experienced building contractor, demonstrated by the total of 79 building construction projects completed as at 21 March 2023 with a total contract value of RM1.51 billion since 2008. Our Group's revenue for the financial year ending 31 December 2023 ("**FYE 2023**") would be supported by a healthy order book of approximately RM377.93 million from a total of 24 on-going projects as at 21 March 2023, which is expected to be progressively completed between 2023 and 2024.

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.

Moving forward, we will continue to focus on building construction in Johor, as supported by our track record of 15 years since the commencement of our business operations in Johor. 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. In addition, we intend to focus on construction projects involving landed residential buildings and industrial buildings as we note the strong demand for these properties in Johor.

REVIEW OF FINANCIAL PERFORMANCE

Our Group's revenue is derived from 2 segments, namely the building construction segment which comprises building construction activities of residential and non-residential buildings as well as the others segment which comprises civil engineering construction works and rental of construction machinery and equipment.

The following table illustrates the comparison of financial highlights of our Group for the financial year ended 31 December 2021 ("**FYE 2021**") and FYE 2022:

REVIEW OF FINANCIAL PERFORMANCE CONT'D

	FYE 2022	FYE 2021	Changes	
	RM'000	RM'000	RM'000	%
FINANCIAL RESULTS				
Financial Indicators				
Revenue	196,255	124,066	72,189	58.19
Gross profit ("**GP**")	23,604	21,915	1,689	7.71
Profit before taxation ("**PBT**")	9,135	9,084	51	0.56
Profit after taxation ("**PAT**")	6,600	6,257	343	5.48
Profit attributable to owners of the Company	6,600	6,257	343	5.48
Financial Ratios				
GP margin (%)	12.03	17.66	(5.63)	(31.88)
PBT margin (%)	4.65	7.32	(2.67)	(36.48)
PAT margin (%)	3.36	5.04	(1.68)	(33.33)
Basic/Diluted Earnings per Share[(1)] (sen)	3.70	3.87	(0.17)	(4.39)
Dividend per Share[(2)] (sen)	1.12	1.86	(0.74)	(39.78)
FINANCIAL POSITION				
Financial Indicators				
Total assets	161,629	133,233	28,396	21.31
Total liabilities	81,068	58,273	22,795	39.12
Net assets ("**NA**")	80,562	74,960	5,602	7.47
Net current assets	73,683	69,031	4,652	6.74
Borrowings	6,995	1,981	5,014	253.10
Cash and cash equivalents	19,854	30,124	(10,270)	(34.09)
Financial Ratios				
Current ratio	1.92	2.21	(0.29)	(13.12)
Gearing (times)	0.09	0.03	0.06	200.00
NA per share[(3)] (sen)	45.18	42.04	3.14	7.47

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 2021 and FYE 2022 of 161.48 million Shares and 178.32 million Shares respectively.

(2) Calculated based on the dividends declared and distributed for the FYE 2021 and FYE 2022 of RM3.00 million and RM2.00 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 2022 of 178,320,700 shares (31 December 2021: 178,320,700 shares).

REVIEW OF FINANCIAL PERFORMANCE CONT'D

For the FYE 2022, our Group's revenue was mainly attributable to our building construction activities which contributed 99.74% of our Group's total revenue. Our Group's segment breakdown for revenue for the FYE 2021 and FYE 2022 are as follows:

	FYE 2022		FYE 2021		Changes	
	RM'000	%	RM'000	%	RM'000	%
Building construction	195,741	99.74	123,844	99.82	71,897	58.05
Others	514	0.26	222	0.18	292	131.53
Total	**196,255**	**100.00**	**124,066**	**100.00**	**72,189**	**58.19**

For the FYE 2022, our Group reported a higher revenue of RM196.26 million, representing an increase of RM72.19 million or 58.19% as compared to RM124.07 million registered for the FYE 2021. The increase in revenue was mainly attributable to the increase in revenue recognised from our Group's building construction segment which increased from RM123.84 million for the FYE 2021 to RM195.74 million for the FYE 2022, representing an increase of RM71.90 million or 58.05%. The increase is mainly due to revenue of approximately RM47.80 million recognised from on-going projects commenced by our Group during the FYE 2022, namely: -

(i) 147 DSTV Aurora Sentral Project of RM17.94 million;

(ii) Aurora Sentral Clubhouse Project of RM2.59 million;

(iii) 99 TSSO Bandar Jaya Putra Project of RM8.18 million;

(iv) 121 DSTV Aurora Sentral Project of RM15.27 million;

(v) 108 DSTH Meridin East – Parcel 2H3 Project of RM2.25 million; and

(vi) Indahpura Food Court – Infrastructure Works Project of RM1.57 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 2022 in relation to our Group's on-going construction projects totalling approximately RM88.63 million, namely: -

(i) 217 DSTH Mutiara Maju Project which reported an increase in revenue from RM3.83 million for the FYE 2021 to RM22.31 million for the FYE 2022, representing an increase of RM18.48 million or 482.51%;

(ii) 206 DSTH Gelang Patah Project which reported an increase in revenue from RM3.32 million for the FYE 2021 to RM21.97 million for the FYE 2022, representing an increase of RM18.65 million or 561.75%;

(iii) 159 SSTH Taman Impian Emas Project which reported an increase in revenue from RM2.71 million for the FYE 2021 to RM14.23 million for the FYE 2022, representing an increase of RM11.52 million or 425.09%;

(iv) 66 DSTH Kluang Project which reported an increase in revenue from RM1.73 million for the FYE 2021 to RM8.60 million for the FYE 2022, representing an increase of RM6.87 million or 397.11%;

(v) 155 DSTH Meridin East – Parcel 2H1 Project which reported an increase in revenue from RM0.88 million for the FYE 2021 to RM12.51 million for the FYE 2022, representing an increase of RM11.63 million or 1,321.59%;

(vi) 176 SSTH Taman Impian Emas Project which reported an increase in revenue from RM0.17 million for the FYE 2021 to RM11.69 million for the FYE 2022, representing an increase of RM11.52 million or 6,776.47%; and

(vii) 216 PKJ Bandar Putra Project which reported an increase in revenue from RM0.57 million for the FYE 2021 to RM10.53 million for the FYE 2022, representing an increase of RM9.96 million or 1,747.37%.

REVIEW OF FINANCIAL PERFORMANCE CONT'D

The increase in revenue above was partially offset by the decrease in revenue of an approximate total amount of RM61.63 million due to the reduction in percentage of completion recognised in the FYE 2022 for our Group's completed and on-going building construction projects, namely: -

(i) 236 DSTH Meridin East – Parcel 1H Project which reported a decrease in revenue by RM1.64 million as the project was completed in December 2020 and the final account for the project was closed in the FYE 2021;

(ii) 164 DSTH Meridin East – Parcel 1F2 Project which reported a decrease in revenue by RM2.75 million as the project was completed in August 2021;

(iii) 128 DSTH Taman Impian Emas Project which reported a decrease in revenue by RM2.93 million as the project was completed in September 2021;

(iv) 264 DSTH Bandar Jaya Putra Project which reported a decrease in revenue by RM8.96 million as the project was completed in April 2022 and also due to the reduced percentage of completion recognised during the financial year under review;

(v) 30 SSSD Taman Ungku Tun Aminah – Zone 9 Project which reported a decrease in revenue by RM1.30 million as the project was completed in April 2022 and also due to the reduced percentage of completion recognised during the financial year under review;

(vi) Taman Ungku Tun Aminah – Zone 13 Project which reported a decrease in revenue by RM4.24 million as the project was completed in February 2022 and also due to the reduced percentage of completion recognised during the financial year under review;

(vii) 30 TSSD Taman Nusa Sentral Project which reported a decrease in revenue by RM5.25 million as the project was completed in December 2021 (Section 1)/August 2022 (Section 2) and also due to the reduced percentage of completion recognised during the financial year under review;

(viii) 185 DSTH Meridin East – Parcel 1I Project which reported a decrease in revenue by RM17.81 million as the project was completed in May 2022 (Section 1)/December 2022 (Section 2) and also due to the reduced percentage of completion recognised during the financial year under review;

(ix) AME Dormitory Project which reported a decrease in revenue by RM2.60 million as the project was completed in July 2022 and also due to the reduced percentage of completion recognised during the financial year under review; and

(x) Bandar Jaya Putra Project which reported a decrease in revenue from RM34.46 million in the FYE 2021 to RM20.31million in the FYE 2022, representing a decrease of RM14.15 million or 41.06% due to the reduced percentage of completion recognised during the financial year under review.

Our Group's GP increased from RM21.92 million for the FYE 2021 to RM23.61 million for the FYE 2022, representing an increase of RM1.69 million or 7.71% despite an increase in total revenue of 58.19% over the preceding year. Our Group reported a decrease in GP margin at 12.03% for the FYE 2022 as compared to 17.66% for the FYE 2021 mainly due to the increase in building construction costs arising from the hikes in prices of building construction material as well as the higher labour cost resulting from the acute shortages in the supply of foreign workers.

Our Group's PBT increased marginally from RM9.08 million for the FYE 2021 to RM9.14 million for the FYE 2022, representing an increase of RM0.06 million or 0.56% owing mainly to higher administrative expenditure incurred during the financial year under review. Our Group's PAT increased from RM6.26 million for the FYE 2021 to RM6.60 million for the FYE 2022, representing an increase of RM0.34 million or 5.48% attributable mainly to higher tax incurred for the FYE 2021 arising from non-deductible expenses incurred in conjunction with our Company's listing on the ACE Market of Bursa Securities during the FYE 2021.

REVIEW OF FINANCIAL PERFORMANCE CONT'D

Our Group's total assets increased from RM133.23 million as at 31 December 2021 to RM161.63 million as at 31 December 2022, representing an increase of RM28.40 million or 21.31%. This was mainly due to the increase in trade and other receivables of RM23.37 million from RM56.85 million as at 31 December 2021 to RM80.22 million as at 31 December 2022. This was in line with the increase in revenue recognised for the FYE 2022 as well as the collections from the amounts due from customers. In addition to the above, contract assets increased by RM8.39 million or 21.51% from RM39.01 million as at 31 December 2021 to RM47.40 million as at 31 December 2022. The increase in the contract assets mainly arose from the progress of our Group's on-going construction projects.

Our Group's total liabilities increased from RM58.27 million as at 31 December 2021 to RM81.07 million as at 31 December 2022, representing an increase of RM22.80 million or 39.12%. This was mainly due to the increase in the trade and other payables of RM15.23 million from RM55.38 million as at 31 December 2021 to RM70.61 million as at 31 December 2022. This was in line with the increase in the cost of sales from RM102.15 million for the FYE 2021 to RM172.65 million for the FYE 2022 as well as the payment made for the amounts due to the sub-contractors and suppliers. Our Group's borrowings also increased from RM1.98 million as at 31 December 2021 to RM7.00 million as at 31 December 2022, representing an increase of RM5.02 million mainly due to drawdown of bank overdraft to finance our Group's working capital for our on-going construction projects. Our Group's gearing ratio increased from 0.03 times as at 31 December 2021 to 0.09 times as at 31 December 2022.

Our Group's NA improved from RM74.96 million as at 31 December 2021 to RM80.56 million as at 31 December 2022 in line with the PAT registered by our Group for the FYE 2022 of RM6.60 million and after a first interim single tier dividend of 0.56 sen per ordinary share for the FYE 2022 totalling RM1.00 million declared and paid during the financial year under review.

A summary of our Group's cash flow position for the FYE 2021 and FYE 2022 is illustrated below:

	FYE 2022 RM'000	FYE 2021 RM'000
Net cash used in operating activities	(5,762)	(6,019)
Net cash used in investing activities	(2,430)	(527)
Net cash (used in)/from financing activities	(2,078)	15,355
Net (decrease)/increase in cash and cash equivalents	(10,270)	8,809
Cash and cash equivalents at the beginning of the financial year	30,124	21,315
Cash and cash equivalents at the end of the financial year	19,854	30,124

Our Group's net cash used in operating activities decreased marginally from RM6.02 million for the FYE 2021 to RM5.76 million for the FYE 2022. However, our Group's net cash used in investing activities increased from RM0.53 million for the FYE 2021 to RM2.43 million for the FYE 2022 mainly due to the change in pledged deposits which was disbursed in line with the increase of our Group's borrowings. Our Group's net cash flow used in financing activities of RM2.08 million in the FYE 2022 arose mainly from payment of lease liabilities and hire purchase as well as the payment for the first interim single tier dividend of 0.56 sen per ordinary share declared during the FYE 2022. Resulting therefrom, our Group's net decrease in cash and cash equivalents for the FYE 2022 was RM10.27 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 RM69.03 million as at 31 December 2021 to RM73.68 million as at 31 December 2022, representing an increase of RM4.65 million or 6.74%. 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 2023.

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 2022, our Group secured 9 new contracts with a total contract value of RM116.62 million. From 1 January 2023 up to 21 March 2023, our Group secured an additional 3 new contracts with contract value totalling RM148.79 million. As at 21 March 2023, our total unbilled order book of our on-going construction projects is RM377.93 million and our Group expects that the unbilled order book to be progressively recognised in the FYE 2023 and FYE 2024.

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 damage 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.

(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.

KEY RISK FACTORS CONT'D

(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.

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 and Kulai in Johor. We then expanded our coverage to include Pontian and Kluang in Johor. We will continue to carry out building construction jobs in Johor supported by our track record of 15 years. As at 21 March 2023, our total unbilled order book of our on-going construction projects is RM377.93 million and our Group expects that the unbilled order book to be progressively recognised in the FYE 2023 and FYE 2024.

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

"For 2023, the Malaysian economy is expected to expand at a more moderate pace amid a challenging external environment. Domestic demand will continue to drive growth, supported by the continued recovery in the labour market and the realisation of multi-year investment projects. The balance of risks remains tilted to the downside, mainly from weaker global growth, tighter financial conditions, re-escalation of geopolitical conflicts and worsening supply chain disruptions" *(Source: Bank Negara Malaysia's Economic and Financial Developments in Malaysia in the Fourth Quarter of 2022).*

"The value of work done in the Construction sector continued to increase by 15.7% in the fourth quarter at RM32.0 billion after expanding strongly by 23.2% in the third quarter of 2022, with the state of Johor accounted for RM3.4 billion or 10.7%. The Construction sector posted a rebound of 8.8% in 2022 after two years in the declining trend. All sub-sectors picked up during the year with double-digit growth recorded in Special trade activities (19.6%); and Non-residential buildings (18.7%). In the meantime, the Civil Engineering and Residential buildings sub-sectors turned around to positive growth of 2.7% and 3.4% respectively. The total value of work done in construction in 2022 amounted to RM121.9 billion, however, it remained lower than the pre-pandemic period which was RM146.4 billion in 2019" *(Source: Department of Statistics Malaysia's Quarterly Construction Statistics, Fourth Quarter 2022).*

The Malaysian economy is expected to grow by 4.5% in 2023 which will be supported by the recovery in construction in major infrastructure projects, improved labour supply and tourism related activities as announced during the Budget 2023 on 24 February 2023 (superseding the previous Budget announced on 7 October 2022) by the Prime Minister, Datuk Seri Anwar Ibrahim who is also the Honourable Finance Minister.

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 landed residential buildings and industrial buildings.

Our Board is cognisant of our Group's exposure to the risk factors as mentioned. Further, the Board notes that the current domestic economy is on a recovery trajectory, supported by higher private sector expenditure given improving labour market condition and on-going Government policy support.

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 2023 will be favourable.

DIVIDENDS

For the FYE 2022, our Company has declared the following: -

- First interim single tier dividend of 0.56 sen per ordinary share on 24 August 2022 amounted to RM1.00 million which was paid on 7 October 2022 to members whose names appear in the Record of Depositors as at 12 September 2022; and

- Second interim single tier dividend of 0.56 sen per ordinary share on 27 February 2023 amounted to RM1.00 million which will be payable on 17 April 2023 to members whose names appear in the Record of Depositors as at 24 March 2023.

MANAGEMENT DISCUSSION AND ANALYSIS CONT'D

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 promoting 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.

The key roles of our 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;

SUSTAINABILITY GOVERNANCE CONT'D

The key roles of our SRMC are as follows: Cont'd

- 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 environment, 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 to 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.

ENVIRONMENTAL ASPECTS CONT'D

To create awareness among Haily's employees on the importance of a clean environment, our Group organised a Litter Picking Campaign to inspire the employees to keep the area surrounding Haily's headquarter clear of litter and debris. On 12 November 2022, the headquarter's employees including the executive directors as well as their family members participated in this maiden event. About 280 kilogrammes of all kinds of rubbish and debris were collected from the surrounding streets and drains in the industrial park where Haily's headquarter is situated.

In conjunction with the above event, our Group also encouraged recycling of wastes by the use of recycling bins placed at the warehouse and at every floor of our headquarter building. Our Group intends to promote environmental protection as well as for a healthier ecosystem. Our employees practise separation of wastes and rubbish in accordance to the types of material before placing them in the relevant bins for proper disposal at nearby recycling centres. This exercise has become a norm in our Group.

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, ensuring operational efficiency. 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 to 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 2022 were:

No.	Courses attended	Organisers	Date of courses
i	Year End Matters under the Companies Act 2016/Company Virtual and Physical AGM Meetings	The Malaysian Institute of Certified Public Accountants	6 January 2022
ii	Employment Acts 1955 & Amendments	MECA Center for Industrial Relations Sdn Bhd	17 & 18 May 2022
iii	Valuation in Practice for Transactions and Reporting : Part I – Valuation Fundamentals	Malaysian Institute of Accountants	28 September 2022
iv	Valuation in Practice for Transactions and Reporting : Part II – Valuation for Business Combinations	Malaysian Institute of Accountants	5 October 2022
v	Valuation in Practice: Demystifying Business Valuation	Malaysian Institute of Accountants	18 & 19 October 2022
vi	Sustainability Governance & Reporting – Board's Roles in Overseeing the Environmental, Social & Governance Agenda in a Listed Issuer's Business	Mr Lee Min On (freelance trainer)	5 December 2022

HUMAN RESOURCE ASPECTS CONT'D

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 in times of need. 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 implemented is to ensure the continuity of operations for each department.

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.

The Covid-19 pandemic has brought to the forefront employees' health and safety. Since the beginning of the pandemic, our Group practices strict health Standard Operating Procedures ("**SOPs**") and has put in place the necessary changes in working practices and organisational arrangements to ensure that the health and safety of our Group's employees and sub-contractors' workers are protected. As movement restrictions are relaxed in stages by the Government since second half of 2021 to allow the Malaysian economy to recover gradually, our Group's SOPs were also adjusted in line with the authorities' regulations to permit smoother operation at our construction sites. Despite the waiver of MySejahtera's check in, temperature checks and maintaining of social distancing, our Group maintains the requirement of wearing face masks in our workplace.

If any of our employees or our subcontractor's workers are infected with Covid-19 or any contagious or virulent diseases, the employees or workers will be denied entry to the workplace and will be required to be quarantined in accordance with the authorities' requirement. Sanitation and disinfection will also be conducted at the affected location. In the event any of our employees is categorised as close contact to an infected person, the said employee would be required to undergo test and if necessary, to observe self-quarantine at home.

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 programs are provided to employees as awareness programs 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' 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.

OCCUPATIONAL HEALTH AND SAFETY CONT'D

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 health and safety risks at workplace. 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.

Amongst the health and safety training attended by our employees during the FYE 2022 were:

No.	Courses attended	Organisers	Date of courses
i	Seminar Pengukuhan Pematuhan Kontraktor CIDB	Jabatan Kesihatan dan Keselamatan Pekerja	30 August 2022
ii	Rigging, Slinging & Hoisting for Lifting Supervisor	Eversafe Universal Sdn Bhd	23 & 24 September 2022
iii	Kursus Kesedaran QLASSIC	Official Resources	26 & 27 September 2022
iv	SHASSIC Awareness Course	En Ramli bin Md Yasan (freelance trainer)	13 December 2022

SOCIAL ASPECTS

Our Group continues its social roles 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.

A blood donation campaign was organised on 7 November 2022 by our Group in collaboration with Hospital Sultanah Aminah Johor Bahru ("**HSA**"). The campaign took place at our headquarter where a total of 51 packets of blood were collected from donors which mainly comprised of Haily's employees and their families and friends as well as workers from the neighbouring factories. Haily hopes that this collaboration with HSA will increase public awareness of the importance and benefits of blood donation and inspire the society to unite in times of need in order to replenish the blood bank shortages suffered during the COVID-19 pandemic.

SOCIAL ASPECTS CONT'D

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) Organising employees' gathering/celebration on certain festivals such as the Christmas Gift Exchange,

(iii) Provision of meals to employees during festive seasons such as Hari Raya Puasa and Christmas, and

(iv) 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 a 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 cultivates 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.

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 prominent especially in the era of a fast-paced business environment that our Group continues to operate in to enhance our Group's competitiveness by improving its operating and cost efficiency in areas focusing on its 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 2022: -

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 2022 ("**CG Report**") of the Company which provides the details on how the Company has applied each CG Practices. Other than Practice 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**"), and management 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, led 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 includes 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.

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 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. For 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.

In February 2022, the Board conducted a review on the Board Charter, Board's Policies and the Terms of Reference of all Committees in conjunction with the review of the Group's CG Practices with reference to the MCCG and the amendments to the ACE LR by Bursa Securities. Having conducted the review, the Board approved various changes to the Board Charter, Board's Policies and the Terms of Reference of all Committees to incorporate the applicable CG Practices of the MCCG and the amendments to the ACE LR in order to keep them up to date and consistent with the Board's objectives and responsibilities.

The Board also took into consideration the guidance provided under the 4th Edition of Bursa Securities Corporate Governance Guide issued on 15 December 2021.

In February 2023, the Board conducted an annual review on the Board Charter to ensure that it remains consistent with the Board's objectives and responsibilities.

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

<u>Policies</u>
- Anti-Bribery and Anti-Corruption Policy
- Board Corporate Disclosure Policy
- Board Policy Protocols and Procedures in respect of Response to Rumours or Reports/Unusual Market Activity from Bursa Malaysia Securities Berhad
- 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

<u>Terms of Reference</u>
- Audit and Risk Management Committee
- Nominating Committee
- Remuneration Committee

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 Yoong 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.

The Company Secretaries provide the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regards 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 Board agenda 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 minuted, recorded and kept. The Company Secretaries attended relevant development and training programmes to enhance their abilities in discharging their duties and responsibilities.

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, 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 an informed decisions to be made.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

I. BOARD RESPONSIBILITIES CONT'D

Board Meeting Cont'd

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 financials and investments 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. Committees 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 and Board Committee's 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.

Board Charter

The Board Charter is a primary document, clearly set out the roles and responsibilities of the Board, Chairman of the Board, EDs, the Board Committees, CEO, the Individual Board members and management 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.

In February 2022, the Board conducted a review of the Board Charter in conjunction with the review of the Group's CG Practices with reference to the MCCG and the amendments to the ACE LR by Bursa Securities. Having conducted the review, the Board approved various changes to the Board Charter to incorporate the applicable CG Practices of the MCCG and the amendments to the ACE LR in order to keep it up to date and consistent with the Board's objectives and responsibilities.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

I. BOARD RESPONSIBILITIES CONT'D

Board Charter Cont'd

The Board also took into consideration the guidance provided under the 4th Edition of Bursa Securities Corporate Governance Guide issued on 15 December 2021.

In February 2023, the Board conducted an annual review on the Board Charter to ensure that it remains consistent with the Board's objectives and responsibilities.

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 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 WBP 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.

Sustainability Strategies

The Board views the commitment to promote sustainability strategies in the environment, economy, 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 may not possess the required expertise, the Board would be able to garner advice from its consultants in the required field. The current Board is drawn from different ethnic, cultural and socio-economic background with their age ranging from 29 years to 70 years to ensure that different viewpoints are considered in the decision making process.

In line with Practice 5.9 of the MCCG, the Board had in May 2022 appointed Ms See Cul Wei as an ED of the Company.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

II. BOARD COMPOSITION CONT'D

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	Directorate
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

This composition is in compliance with 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 fulfil the recommendation of the MCCG 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 Board as well as Practice 5.9 of the MCCG for the Board to have at least 30% women Directors.

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 had concluded and recommended to the Board that it is satisfied with the existing size, structure and composition, and is 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 ensures 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 29 March 2023.

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

II. BOARD COMPOSITION CONT'D

Independence of the Board Cont'd

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).

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 mandate 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 Corporate Governance Overview Statement of this Annual Report.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

II. BOARD COMPOSITION CONT'D

Re-election of Directors Cont'd

At the forthcoming 3rd AGM, Mr See Tin Hai and Mr Tan Sui Huat 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 Mr See Tin Hai and Mr Tan Sui Huat in all key areas of meeting attendance, time commitment and operational matters as well as the fit and proper assessment in accordance with the Fit and Proper Person Policy, the NC was of the opinion that both Mr See Tin Hai and Mr Tan Sui Huat have performed and discharged their responsibility as Directors of the Company adequately and satisfactory as well as contributed positively to the effective functioning and processes of the Board.

Further the NC was also satisfied with the performance of Mr Tan Sui Huat as the Senior Independent Non-Executive Director, Chairman of the NC and RC and that Mr Tan Sui Huat's independence has not been compromised or impaired in any way and was of the opinion that Mr Tan Sui Huat will be in a position to continue to carry out his duties and responsibilities as an Independent Director of the Company.

Ms See Cul Wei who was appointed to the Board as an additional Director on 25 May 2022 shall hold office only until the forthcoming 3rd AGM and shall then be eligible for re-election under Clause 118 of the Company's Constitution. Based on the NC's review on the performance of Ms See Cul Wei in all key areas of meeting attendance, time commitment and operational matters as well as the fit and proper assessment in accordance with the Fit and Proper Person Policy, the NC was of the opinion that Ms See Cul Wei has performed and discharged her responsibilities as Director of the Company adequately and satisfactory, contributed positively to the effective functioning and processes of the Board as well as further strengthening the composition and dynamics of the Board.

The NC had recommended to the Board for the re-election of Mr See Tin Hai, Mr Tan Sui Huat and Ms See Cul Wei as Directors of the Company at the forthcoming 3rd AGM of the Company.

The Board taking into consideration of the NC's recommendation, resolved to recommend to the shareholders for the re-election of Mr See Tin Hai, Mr Tan Sui Huat and Ms See Cul Wei at the forthcoming 3rd AGM of the Company.

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, 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 Diversity Policy is made available for reference 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 on the Board.

Fit and Proper Person Policy

The Board had established and adopted the Fit and Proper Person Policy in February 2022, 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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

II. BOARD COMPOSITION CONT'D

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 their 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 2022 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 Committees meetings held during the FYE 2022 is set out below: -

	Attendance			
Name of Directors	**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 *Appointed on 25 May 2022*	2/2	-	-	-
Tan Sui Huat	5/5	5/5	3/3	3/3
Ong Kheng Swee	5/5	5/5	3/3	3/3
Poh Boon Huwi	5/5	5/5	3/3	3/3

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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

II. BOARD COMPOSITION CONT'D

Training and Development of Directors Cont'd

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.

All members of the Board have attended the Mandatory Accreditation Programme as prescribed by the ACE LR.

Below are the training programmes and seminars attended by the Directors during the FYE 2022: -

Date	Training Programmes/ Seminars	Name of Director
21 March 2022	Financial Reporting and Ethical Considerations by Association of Chartered Certified Accountants	Ong Kheng Swee
8 – 9 June 2022	Malaysian Institute of Accountants ("MIA") Conference 2022: Leading Economic, Social and Governance ("ESG"), Charting Sustainability by MIA	Ong Kheng Swee
8 July 2022	Assessment of the Board, Board Committees, and Individual Directors by MIA	Ong Kheng Swee
15 July 2022	The Audit Committee: Unpacking the Roles of the Committee & Honing Its Effectiveness in Discharging its Responsibilities Holistically by MIA	Ong Kheng Swee
21 July 2022	Sustainability – Overseeing the Economic, Environmental, Social and Governance ("EESG") Perspective of the Group's Business by MAICSA	Haji Mohd Jaffar Bin Awang (Ismail)
8 September 2022	Briefings on Technical Changes Affecting Financial Reporting by MIA	Ong Kheng Swee
8 – 9 September 2022	Case Studies in Revenue Recognition for Real Estate Development and Construction Contracts including Complex Issues: MFRS and MPERS by MIA	Poh Boon Huwi
14 September 2022	Risk Culture Building - The Future of Risk Management by MIA	Ong Kheng Swee
7 – 8 November 2022	Drive Faster Action on Emerging Risks Aligned Risk Management with Implementation of COSO Framework by MIA	Poh Boon Huwi
5 December 2022	Sustainability Governance & Reporting - Board's Roles in Overseeing the Environmental, Social & Governance Agenda in a Listed Issuer's Business	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
13 December 2022	2022 MFRS Updates Seminar by KPMG PLT	Ong Kheng Swee

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

II. BOARD COMPOSITION CONT'D

Nominating Committee ("NC")

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

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

The NC comprises exclusively of INEDs 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 MCCG 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 2022 are set out in Practices 5.3, 5.5, 5.6, 5.7, 5.10 and 6.1 of the CG Report.

III. REMUNERATION

Remuneration Committee ("RC")

The RC comprises exclusively of INEDs as follows:

Name of RC Members	Designation	Directorate
Poh Boon Huwi *Member since 24 November 2021* *Redesignated as Chairperson on 17 November 2022*	Chairperson	Independent Non-Executive Director
Tan Sui Huat *Appointed as Chairman on 24 November 2021* *Redesignated as Member on 17 November 2022*	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.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS CONT'D

III. REMUNERATION CONT'D

Remuneration Committee ("RC") Cont'd

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 2022 and 2023 and recommended to the Board for approval whereas the Board as a whole had reviewed the Directors' Fees for FYE 2023 payable to the INEDs and had resolved to recommend to the shareholders for consideration and approval at the 3rd AGM.

The Remuneration Policy for Directors and Senior Management is 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 2022 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

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 published and 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 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.

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 re-appointment decision to the Board, where the Board will make the appropriate recommendation to seek shareholders' approval in the AGM.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT CONT'D

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 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.

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.

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

II. CONDUCT OF GENERAL MEETINGS

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

The AGM is the principal forum for dialogue and interaction with shareholders. The Board provides a platform to shareholders to raise questions pertaining to the business activities of the Group at the AGM. The Chairman together with other Directors and external auditors are expected to be present at the forthcoming AGM to respond to any enquiries from the shareholders as well as to have discussion with shareholders, if required. Shareholders who are unable to attend, are allowed to appoint proxies to attend and vote on their behalf.

In line with the best CG practice, the Notice of AGM will be issued at least 28 days before the AGM in order to provide sufficient time for shareholders to understand and evaluate the subject matter.

Pursuant to Rule 8.31A(1) of the ACE LR, all resolutions set out in the notice of AGM will be put to vote by way of poll. The Board will make an announcement on the detailed results showing the number of votes cast for and against each resolution at the AGM to facilitate greater shareholder participation.

This CG Overview Statement was approved by the Board of the Company on 29 March 2023.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The Board is pleased to present the ARMC Report and its summary of work for the FYE 2022 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 2022 and from 1 January 2023 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 2022. 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 2022.

MEETINGS CONT'D

The agenda for meetings, the relevant reports and papers were furnished to the ARMC members by the 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 2022, 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 2021 were tabled at the ARMC meeting held on 23 February 2022. The unaudited interim financial reports for the 1st, 2nd, 3rd and 4th quarters of the FYE 2022 respectively were tabled at the ARMC meetings held on 25 May 2022, 24 August 2022, 17 November 2022 and 27 February 2023 respectively.

   In reviewing these unaudited interim financial reports, the ARMC ensured that these reports were prepared in compliance with the Malaysian Financial Reporting Standard ("**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 2021 and FYE 2022 ("**AFSs**") on 30 March 2022 and 29 March 2023 respectively. In reviewing these AFSs, the ARMC ensured that these AFSs were prepared in compliance with the MFRS and the requirements of the Companies Act 2016 in Malaysia.

iii. Reviewed the Budget for the financial year ending 31 December 2023 prepared by the Management on 17 November 2022 and ensured that the assumptions and estimates were reasonable and prudent.

iv. Reviewed the solvency statement in connection with the declaration of first interim single tier dividend for the then financial year ending 31 December 2022 on 24 August 2022 and second interim single tier dividend for FYE 2022 on 27 February 2023 before recommending to the Board for consideration and approval of the distributions.

SUMMARY OF ACTIVITIES CONT'D

b) External Audit

i. On 17 November 2022, the ARMC reviewed the EA's scope of work and Audit Plans for the FYE 2022 prior to the commencement of audit. The EA had also declared their independence in relation to their audit for the FYE 2022 to the ARMC.

ii. The ARMC conducted two (2) private meetings with the EA without the presence of the EDs and the Management on 30 March 2022 and 27 February 2023. During these private sessions, the EA conveyed that there were no areas of major concerns to be highlighted to the ARMC or the Board and that they had received full co-operation from the Management during their audit.

iii. On 23 February 2022 and 27 February 2023, the ARMC reviewed the EA's Audit Committee Memorandum in relation to the EA's year end financial audit of the financial statements for the FYE 2021 and FYE 2022 of the Group respectively.

iv. The ARMC carried out an assessment of the performance, suitability, objectivity and independence of the EA, Baker Tilly Monteiro Heng PLT ("**BTMH**"), based on an assessment questionnaire which took into consideration assessment criteria such as the quality of services, sufficiency of resources, adequate resources and trained professional staff assigned to the audit. BTMH also declared their independence to the ARMC as part of these procedures. 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 financial year ending 2023 ("**FYE 2023**"). The Board at its meeting held on 29 March 2023 had approved the ARMC's recommendation to re-appoint BTMH as Auditors of the Company for the FYE 2023, subject to the shareholders' approval to be sought at the forthcoming 3rd AGM.

c) Internal Audit

i. On 17 November 2022, the ARMC reviewed the Internal Audit Plan for the FYE 2023 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 2022, the ARMC reviewed the Internal Audit Report in relation to the internal control review of the tendering management and cost monitoring of Haily Construction and on 17 November 2022, the ARMC reviewed the Internal Audit Report in relation to the internal control review of the procurement management of Haily Construction. 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 2022. 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 Management was responsive and discussed with them on the findings and thus far, the Management has responded positively to the findings and recommendations.

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 23 February 2022, 25 May 2022, 24 August 2022 and 17 November 2022 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 23 February 2022 and 17 November 2022 reviewed the Registry of Risk together with the Risk Matrix and was briefed by the Management on the risk factors, impacts and the proposed risk control actions to be undertaken before recommending the same to the Board for approval.

ii. On 17 November 2022, the ARMC reviewed the report from Sustainability and Risk Management Committee on the activities undertaken and proposed to promote sustainability as an integral component of the corporate values of the Group.

iii. 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 2022.

f) Corporate Governance Practices

i. In February 2022, the ARMC reviewed the following Policies and Terms of Reference in conjunction with the review of the CG practices with reference to the revised MCCG and the amendment to the ACE LR by Bursa Securities as well as the 4th Edition of Bursa Securities Corporate Governance Guide issued on 15 December 2021 before recommending to the Board for approval:

- Anti-Bribery and Anti-corruption Policy;
- Whistle-blowing Policy;
- Policy on Related Party Transaction; and
- Terms of Reference for Audit and Risk Management Committee.

ii. Apart from discharging its duties with respect to the internal and external audits as well as financial reporting, the ARMC also 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.

iii. In addition, before finalising the various governance disclosures in the Annual Report, the ARMC together with all other Board Members and the Management had reviewed 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.

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.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT CONT'D

INTERNAL AUDIT FUNCTION CONT'D

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 one (1) senior manager, assisted by at least one (1) senior consultant and one (1) consultant per one (1) engagement with oversight performed by the director.

During the FYE 2022, 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 conducted reviews on tendering management, cost monitoring and procurement management for Haily Construction.

The costs incurred for the outsourced internal audit function for the FYE 2022 is RM36,747.

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 29 March 2023.

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 2022. 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 and tolerance 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 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, the Sustainability and Risk Management Working Group ("**SRMWG**"), the 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 of losses and fraud.

RISK MANAGEMENT

The Board recognises risk management as an integral part of the system of internal control and good management practice in the pursuit of its mission, vision, core values, strategies and business objectives. The Board maintains an on-going commitment to identifying, analysing, evaluating and managing significant risks and opportunities faced by the Group systematically during the financial year under review. The Board has put in place a formal Risk Management Framework for the governance structure, framework and processes for enterprise-wide risk management, in order to embed 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 the CEO, CFO, COO and Head of Contract and Business Development and 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 updated Enterprise Risk Management-Integrated Framework (2017) by Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**").

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: -

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

RISK MANAGEMENT CONT'D

Clear roles and responsibilities of the Board, the ARMC, SRMC, SRMWG, Risk Owners and outsourced Internal Auditors 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: -

<u>SRMC</u>

- 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
- 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

RISK MANAGEMENT CONT'D

SRMWG

The SRMWG, as the management oversight and monitoring function, is assigned with the following responsibilities among others: -

- 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.

A 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 and tolerance acceptable by the Board. During the risk management process, the Registry of Risks was updated by SRMWG and respective Risk Owner, with relevant key risks identified and rated based on the agreed upon likelihood and impact rating. Subsequently the updated Registry of Risks was reviewed by the SRMC before reporting 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 and tolerance 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 risks 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), corporate, regulatory, finance, marketing, project management, human capital, environment health and safety and management information system of the Company and its operating subsidiaries and incorporated 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 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.

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 and tolerance 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

RISK MANAGEMENT CONT'D

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 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 formal board charter whereby the roles and responsibilities of the Board, the Chairman of the Board, the CEO, the EDs, and 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. 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 performance of the Group, from financial and operational perspective. Business plans and business strategies are proposed by the CEO for the Board's review and approval, after taking into risk consideration 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 last reviewed and approved by the Board on 23 February 2022. This formal code forms the foundation of integrity and ethical values for the Group.

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

  Code of conduct and business ethics are monitored via control activity monitoring mechanism 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 role. 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 procedures.

- **Performance Measurement**

  Annual Budgets 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 and an Employee 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 assessments are carried out for all levels of staff to identify performance gaps, training needs and to assist in talent development.

- **Risk Assessment and Control Activities**

  Risk assessment is performed by Risk Owners at scheduled interval or when there is 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.

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

- **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 pursuit of the 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 put in place effective and efficient information and communication infrastructures, communication channels (i.e. computerised systems, secured intranet, electronic mail system and modern telecommunication) and 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 employee 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 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 are carried out by external ISO auditors as well as surveillance audits 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 objectivity, the outsourced internal audit function reports directly to the ARMC.

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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

INTERNAL AUDIT FUNCTION CONT'D

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 one (1) senior manager, assisted by 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 IA function had performed and carried out their work professionally and met the expectation of the ARMC. In addition, before the commencement of the engagement, the outsourced internal audit function presented its staff strength, qualification, experience and independence to the ARMC for review during its meeting.

The risk-based internal audit plan in respect of the FYE 2022 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 regard 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 2022, based on the internal audit plan reviewed and approved by the ARMC and the Board, the outsourced internal audit function had conducted audits on tendering management, cost monitoring, and procurement management for Haily Construction.

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.

The costs incurred for the outsourced internal audit function for the FYE 2022 is RM 36,747.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
CONT'D

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 21 March 2023 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	-	(2,577)	1,623	Within 24 months
Working capital for construction projects	6,000	134	(6,134)	-	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**	**-**	**(18,777)**	**1,623**	

Notes:

(1) The actual listing expenses were lower than the estimated sum, hence the surplus was utilised as working capital for construction projects purposes.

(2) From the date of listing of the Company on the ACE Market of Bursa Securities. The utilisation of proceeds disclosed above should be read in conjunction with the Prospectus of the Company dated 30 June 2021.

2. AUDIT AND NON-AUDIT FEES

The fees payable to the External Auditors in relation to the audit and non-audit services rendered to the Company and the Group for the FYE 2022 were as follows:

	Company RM	Group RM
Audit fees	48,500	121,000
Non-audit fees	2,120	2,120
Total	**50,620**	**123,120**

ADDITIONAL COMPLIANCE INFORMATION CONT'D

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 2022, 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 2022.

5. RECURRENT RELATED PARTY TRANSACTIONS (“RRPT”)

There were no recurrent related party transactions entered by the Group during the FYE 2022.

6. PROPERTIES OWNED BY THE GROUP

There were no real properties owned by the Group during the FYE 2022.

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 2022, 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 2022

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 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

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	6,600,112	1,226,149

DIVIDENDS

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

	RM
First interim single-tier dividend of RM0.0056 per ordinary share for the financial year ended 31 December 2022, paid on 7 October 2022	998,596

On 27 February 2023, the directors declared a second interim single-tier dividend for the financial year ended 31 December 2022 at RM0.0056 per ordinary share, amounted to RM998,596, based on the number of outstanding ordinary shares in issue as at 24 March 2023. The second interim single-tier dividend is payable to the members on 17 April 2023 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

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.

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.

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 (Alternate director to See Tin Hai) (Ceased on 25 May 2022)
See Cul Wei (Appointed on 25 May 2022)

* 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' INTERESTS

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:

Interests in the Company

	Number of ordinary shares			
	At 1 January 2022	Bought	Sold	At 31 December 2022
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

DIRECTORS' INTERESTS CONT'D

Interests in the Company Cont'd

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.

The directors' benefits of the Company were as follows:

	Group RM	Company RM
Directors of the Company		
Executive directors		
- Directors' remuneration	2,132,176	-
- Directors' defined contribution plans	246,569	-
- Directors' other emoluments	3,649	-
	2,382,394	-
Non-executive director		
- Directors' fees	223,200	223,200
Directors of the subsidiaries		
Executive directors		
- Directors' remuneration	264,000	-
- Directors' defined contribution plans	31,080	-
- Directors' other emoluments	1,002	-
	296,082	-
Total director remuneration		
- Director fees	223,200	223,200
- Directors' remuneration	2,396,176	-
- Directors' defined contribution plans	277,649	-
- Directors' other emoluments	4,651	-
	2,901,676	223,200

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.

DIRECTORS' REPORT CONT'D

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity insurance coverage paid 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 RM14,250 and RM750 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

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

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

The auditors' remuneration of the Group and the Company are RM121,000 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.

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: 29 March 2023

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	5,072,916	4,885,018	-	-
Goodwill	6	-	-	-	-
Investment in subsidiaries	7	-	-	41,529,772	41,529,768
Other investments	8	2,551,778	2,272,278	-	-
Total non-current assets		**7,624,694**	**7,157,296**	**41,529,772**	**41,529,768**
Current assets					
Current tax assets		2,292	17,161	1,955	-
Trade and other receivables	9	80,216,543	56,853,734	16,702,697	9,879,777
Contract assets	10	47,399,729	39,013,696	-	-
Cash and short-term deposits	11	26,385,961	30,191,364	3,275,001	9,889,374
Total current assets		**154,004,525**	**126,075,955**	**19,979,653**	**19,769,151**
TOTAL ASSETS		**161,629,219**	**133,233,251**	**61,509,425**	**61,298,919**
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/ (Accumulated losses)		59,336,296	53,734,780	160,256	(67,297)
TOTAL EQUITY		**80,561,516**	**74,960,000**	**61,415,244**	**61,187,691**
Non-current liabilities					
Borrowings	14	616,633	1,032,762	-	-
Deferred tax liabilities	15	129,776	195,196	-	-
Total non-current liabilities		**746,409**	**1,227,958**	**-**	**-**
Current liabilities					
Borrowings	14	6,378,812	948,282	-	-
Current tax liabilities		461,013	484,571	-	1,518
Trade and other payables	16	70,609,767	55,375,853	94,181	109,710
Contract liabilities	10	2,871,702	236,587	-	-
Total current liabilities		**80,321,294**	**57,045,293**	**94,181**	**111,228**
TOTAL LIABILITIES		**81,067,703**	**58,273,251**	**94,181**	**111,228**
TOTAL EQUITY AND LIABILITIES		**161,629,219**	**133,233,251**	**61,509,425**	**61,298,919**

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		Group		Company	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
Revenue	17	196,255,026	124,066,492	1,800,000	3,500,000
Cost of sales		(172,651,034)	(102,151,249)	-	-
Gross profit		**23,603,992**	**21,915,243**	**1,800,000**	**3,500,000**
Other income	18	947,492	537,810	67,292	70,172
Administrative expenses		(15,276,922)	(12,999,418)	(627,945)	(475,526)
Other operating expenses		-	(117,583)	-	-
Operating profit		**9,274,562**	**9,336,052**	**1,239,347**	**3,094,646**
Finance costs	19	(139,461)	(251,662)	-	-
Profit before tax	20	**9,135,101**	**9,084,390**	**1,239,347**	**3,094,646**
Income tax expense	22	(2,534,989)	(2,827,571)	(13,198)	(14,619)
Profit for the financial year, representing total comprehensive income for the financial year		**6,600,112**	**6,256,819**	**1,226,149**	**3,080,027**
Profit attributable to:					
Owners of the Company		6,600,112	6,256,819	1,226,149	3,080,027
Non-controlling interest		-	-	-	-
		6,600,112	**6,256,819**	**1,226,149**	**3,080,027**
Total comprehensive income attributable to:					
Owners of the Company		6,600,112	6,256,819	1,226,149	3,080,027
Non-controlling interest		-	-	-	-
		6,600,112	**6,256,819**	**1,226,149**	**3,080,027**
Earnings per share (sen)					
- Basic and diluted	23	3.70	3.87		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		← Attributable to owners of the Company			→
	Note	Share capital RM	Reorganisation reserve RM	Retained earnings RM	Total equity RM
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	**24**	-	-	(998,596)	(998,596)
At 31 December 2022		**61,254,988**	**(40,029,768)**	**59,336,296**	**80,561,516**
Group					
At 1 January 2021		**41,529,868**	**(40,029,768)**	**50,473,749**	**51,973,849**
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income for the financial year		-	-	6,256,819	6,256,819
Transactions with owners					
Share issued persuant to the public issue	**12**	20,400,000	-	-	20,400,000
Share issuance expenses		(674,880)	-	-	(674,880)
Dividends paid on shares	**24**	-	-	(2,995,788)	(2,995,788)
At 31 December 2021		**61,254,988**	**(40,029,768)**	**53,734,780**	**74,960,000**

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 CONT'D

		← Attributable to owners of the Company →		
	Note	Share capital RM	(Accumulated losses)/ Retained earnings RM	Total equity RM
Company				
At 1 January 2021		**41,529,868**	**(151,536)**	**41,378,332**
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive profit for the financial year		-	3,080,027	3,080,027
Transactions with owners				
Shares issued for the public issue	**12**	20,400,000	-	20,400,000
Shares issuance expenses	**12**	(674,880)	-	(674,880)
Dividends paid on shares	**24**	-	(2,995,788)	(2,995,788)
At 31 December 2021		**61,254,988**	**(67,297)**	**61,187,691**
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive profit for the financial year		-	1,226,149	1,226,149
Transactions with owners				
Dividends paid on shares	**24**	-	(998,596)	(998,596)
At 31 December 2022		**61,254,988**	**160,256**	**61,415,244**

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Cash flows from operating activities					
Profit before tax		9,135,101	9,084,390	1,239,347	3,094,646
Adjustments for:					
Depreciation of property, plant and equipment	**5**	2,077,977	1,706,745	-	-
Gain on disposal of property, plant and equipment	**18**	(211,000)	(100)	-	-
Property, plant and equipment written off	**20**	4,291	-	-	-
Fair value gain of other investment	**18**	(63,833)	-	-	-
Impairment loss on goodwill	**20**	-	117,583	-	-
Interest income	**18**	(289,164)	(255,598)	(67,292)	(70,172)
Finance costs	**19**	139,461	251,662	-	-
Operating profit before changes in working capital		**10,792,833**	**10,904,682**	**1,172,055**	**3,024,474**
Changes in working capital:					
Trade and other receivables		(23,362,809)	16,382,275	(894)	(560,105)
Contract assets		(8,386,033)	(9,335,987)	-	-
Trade and other payables		15,233,914	(17,674,391)	(15,529)	(29,790)
Contract liabilities		2,635,115	(2,723,417)	-	-
Net cash (used in)/from operations		**(3,086,980)**	**(2,446,838)**	**1,155,632**	**2,434,579**
Income tax paid		(2,609,098)	(3,405,358)	(16,671)	(13,101)
Interest paid		(65,242)	(167,017)	-	-
Net cash (used in)/from operating activities		**(5,761,320)**	**(6,019,213)**	**1,138,961**	**2,421,478**
Cash flows from investing activities					
Purchase of property, plant and equipment	**(a)**	(1,780,166)	(1,479,866)	-	-
Proceeds from disposal of property, plant and equipment		211,000	100	-	-
Investment in subsidiaries		-	-	(4)	-
Change in other investments		(215,667)	(454,550)	-	-
Change in pledge deposits		(934,416)	1,152,161	-	-
Interest received		289,164	255,598	67,292	70,172
Net cash (used in)/from investing activities		**(2,430,085)**	**(526,557)**	**67,288**	**70,172**

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 CONT'D

	Note	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Cash flows from financing activities					
Proceeds from issuance of ordinary shares		-	20,400,000	-	20,400,000
Payment of lease liabilities	(b)	(490,800)	(382,119)	-	-
Payment of hire purchase	(b)	(588,855)	(667,240)	-	-
Repayment of revolving credit	(b)	-	(1,000,000)	-	-
Net changes in amount owing from subsidiaries	(b)	-	-	(6,822,026)	(10,006,588)
Dividend paid		(998,596)	(2,995,788)	(998,596)	(2,995,788)
Net cash (used in)/from financing activities		**(2,078,251)**	**15,354,853**	**(7,820,622)**	**7,397,624**
Net (decrease)/increase in cash and cash equivalents		**(10,269,656)**	**8,809,083**	**(6,614,373)**	**9,889,274**
Cash and cash equivalents at the beginning of the financial year		30,124,088	21,315,005	9,889,374	100
Cash and cash equivalents at the end of the financial year	(d)	**19,854,432**	**30,124,088**	**3,275,001**	**9,889,374**

(a) Purchase of property, plant and equipment:

	Note	Group 2022 RM	Group 2021 RM
Additions of property, plant and equipment	5	2,270,166	2,475,013
Operating leases recognised as right-of-use assets	5	-	(675,147)
Financed by way of hire purchase		(490,000)	(320,000)
Cash payments on purchase of property, plant and equipment		1,780,166	1,479,866

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 CONT'D

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

	1.1.2022 RM	Advances RM	Repayments RM	Drawdown/ Addition RM	Interest RM	31.12.2022 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
	1,981,044	-	(1,079,655)	490,000	74,219	1,465,608
Company						
Amount owing by subsidiaries	(9,867,205)	(6,822,026)	-	-	-	(16,689,231)

	1.1.2021 RM	Advances RM	Repayments RM	Drawdown/ Addition RM	Interest RM	31.12.2021 RM
Group						
Lease liabilities	817,941	-	(382,119)	675,147	44,151	1,155,120
Hire purchase	1,132,670	-	(667,240)	320,000	40,494	825,924
Revolving credit	1,000,000	-	(1,000,000)	-	-	-
	2,950,611	-	(2,049,359)	995,147	84,645	1,981,044
Company						
Amount owing to/(by) subsidiaries	139,383	(10,563,213)	556,625	-	-	(9,867,205)

(c) During the financial year, the Group had total cash outflows for leases of RM532,620 (2021: RM431,319).

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

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Short-term deposits	11	1,001,692	67,276	-	-
Less: Pledged deposits		(1,001,692)	(67,276)	-	-
		-	-	-	-
Cash and bank balances	11	25,384,269	30,124,088	3,275,001	9,889,374
Bank overdraft	14	(5,529,837)	-	-	-
		19,854,432	30,124,088	3,275,001	9,889,374

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 dislosed in Note 7.

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 29 March 2023.

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 amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/ improvements to MFRSs for the current financial year:

<u>Amendments/Improvements to MFRSs</u>

MFRS 1	First-time Adoption of Malaysia Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 141	Agriculture

The adoption of the above amendments/improvements 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.

2. BASIS OF PREPARATION CONT'D

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2023#
MFRS 3	Business Combinations	1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#/ 1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#

Amendments to the consequence of effective of MFRS 17 Insurance Contracts

2. BASIS OF PREPARATION CONT'D

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective Cont'd

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

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 16 Leases

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

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.

In another amendments, an entity is required 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. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

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.

2. BASIS OF PREPARATION CONT'D

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective Cont'd

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

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

(c) The initial application of the above applicable new MFRS and amendments/ improvements to MFRSs are not expected to have any material impact on the current and prior years financial statements.

2.4 Functional and presentation currency

The financial statements of the Company are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The 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 Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies 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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.1 Basis of consolidation Cont'd

The acquisition of Haily Construction Sdn. Bhd. has been accounted for as a business combination amongst entity under common control. Accordingly, the financial statements of Haily Group Berhad have been consolidated using the merger method of accounting.

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted based on the carrying amounts from the prespective of the common control shareholder at the date of transfer.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the combined financial statements and consolidated financial statements. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

Acquisition of entities under reorganisation scheme does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Group 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.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:
- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.1 Basis of consolidation Cont'd

(a) Subsidiaries and business combination Cont'd

The accounting policy for goodwill is set out in Note 3.6.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combinations occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statements of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3.2 Separate financial statements

In the Company's statement of financial position, investment in a subsidiary is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.9(b).

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.3 Financial instruments

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

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 Revenue from Contracts with Customers.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income ("FVOCI") with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVPL

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.3 Financial instruments Cont'd

(a) Subsequent measurement Cont'd

The Group and the Company categorise the financial instruments as follows: Cont'd

(i) Financial assets Cont'd

Debt instruments
Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.9(a). Gains and losses are recognised in profit or loss when the financial asset is recognised, modified or impaired.

- **FVOCI**
  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.9(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- **FVPL**
  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.3 Financial instruments Cont'd

(a) Subsequent measurement Cont'd

The Group and the Company categorise the financial instruments as follows: Cont'd

(i) Financial assets Cont'd

Equity instruments
The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL
Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 *Financial Instruments* are satisfied. The Group and the Company have not designated any financial liability as at FVPL.

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

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.3 Financial instruments Cont'd

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:
(i) the contractual rights to receive the cash flows from the financial asset expire; or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either
    (a) the Group and the Company have transferred substantially all the risks and rewards of the asset; or
    (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.3 Financial instruments Cont'd

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.4 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.15.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

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

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.4 Property, plant and equipment Cont'd

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.5 Leases

(a) Definition of a lease

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:

- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

(b) Lessee accounting

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets and lease liabilities as separate line in the statements of financial position.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, 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 asset or the end of the lease term. If the Group and the Company expect to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

Lease liability

The lease liability is 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 their incremental borrowing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.5 Leases Cont'd

(b) Lessee accounting Cont'd

Lease liability Cont'd

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “administrative expenses” in the statements of comprehensive income.

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.

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 and leases of low value assets. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.6 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.7 Contract assets/(liabilities)

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Group's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(a).

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers.

3.8 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.9 Impairment of assets

(a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets, a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 *Financial Instruments* which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables and contract assets, the Group and the Company apply the simplified approach permitted by MFRS 9 *Financial Instruments* to measure the loss allowance at an amount equal to lifetime expected credit losses.

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

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.9 Impairment of assets Cont'd

(a) Impairment of financial assets and contract assets Cont'd

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:
- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for contract assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the assets' recoverable amount. For goodwill, the recoverable amount is estimated at each reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.9 Impairment of assets Cont'd

(b) Impairment of non-financial assets Cont'd

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset of a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit of groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

3.10 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.11 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.11 Employee benefits Cont'd

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund, the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.12 Provisions

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

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.13 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company measure revenue at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.13 Revenue and other income Cont'd

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 if 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 properties 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 of properties based on achieving a series of performance-related milestones.

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

(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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.14 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be receive and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised as deferred income in the statement of financial position and transferred to profit or loss over the expected useful life of the related asset. Where the grant relates to an expense item, it is recognised in profit or loss, under the heading of "other income", on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

3.15 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

3.16 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

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

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.16 Income tax Cont'd

(b) Deferred tax Cont'd

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.17 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES CONT'D

3.18 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.19 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.20 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

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.

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

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 financial assets and contract assets (Note 9, 10 and 25 to the financial statements)

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 of 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.

(b) Construction revenue (Note 17 to the financial statements)

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

	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
Group								
Cost								
At 1 January 2021	9,085,555	978,076	559,828	826,603	31,326	244,116	1,352,789	13,078,293
Additions	933,582	76,800	158,355	536,925	-	94,204	675,147	2,475,013
Disposals	-	-	-	-	-	(2,345)	-	(2,345)
Derecognition due to end of lease term	-	-	-	-	-	-	(25,303)	(25,303)
At 31 December 2021	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

NOTES TO THE FINANCIAL STATEMENTS CONT'D

5. PROPERTY, PLANT AND EQUIPMENT CONT'D

	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
Group									
Accumulated depreciation									
At 1 January 2021		6,809,573	585,471	263,619	568,717	31,326	125,947	576,890	8,961,543
Depreciation charge for the financial year	**20**	984,156	102,493	61,528	168,434	-	45,868	344,266	1,706,745
Disposals		-	-	-	-	-	(2,345)	-	(2,345)
Derecognition due to end of lease term		-	-	-	-	-	-	(25,303)	(25,303)
At 31 December 2021		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
Carrying amount									
At 31 December 2021		2,225,408	366,912	393,036	626,377	-	166,505	1,106,780	4,885,018
At 31 December 2022		2,141,311	319,289	378,925	1,431,002	-	141,628	660,761	5,072,916

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:

	2022 RM	2021 RM
Group		
Motor vehicles	1,280,373	1,473,651

(b) Right-of-use assets

The Group leases buildings and equipment for its office space and operation. The leases are mainly for an initial lease of two (2) to five (5) years (2021: two (2) to five (5) years).

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

	Office buildings RM	Office equipment RM	Total RM
Cost			
At 1 January 2021	1,291,014	61,775	1,352,789
Additions	675,147	-	675,147
Derecogniton	(25,303)	-	(25,303)
At 31 December 2021	1,940,858	61,775	2,002,633
Derecogniton	-	(46,748)	(46,748)
At 31 December 2022	1,940,858	15,027	1,955,885
Accumulated depreciation			
At 1 January 2021	544,250	32,640	576,890
Depreciation	331,911	12,355	344,266
Derecogniton	(25,303)	-	(25,303)
At 31 December 2021	850,858	44,995	895,853
Depreciation	436,001	10,018	446,019
Derecogniton	-	(46,748)	(46,748)
At 31 December 2022	1,286,859	8,265	1,295,124
Carrying amount			
At 31 December 2021	1,090,000	16,780	1,106,780
At 31 December 2022	653,999	6,762	660,761

6. GOODWILL

	Group 2022 RM	Group 2021 RM
At the beginning of the financial year	-	117,583
Impairment loss	-	(117,583)
At the end of the financial year	-	-

In the previous financial year, the Group noted that the recoverable amount of the said goodwill was lower than its carrying amount. Accordingly, the Group recognised impairment loss on goodwill.

7. INVESTMENT IN SUBSIDIARIES

	Company 2022 RM	Company 2021 RM
At cost		
Unquoted shares	41,529,772	41,529,768

Details of the subsidiaries are as follows:

Name of company	Principal place of business/country of incorporation	Ownership interest 2022 %	Ownership interest 2021 %	Principal activities
Haily Construction Sdn. Bhd.	Malaysia	100	100	Building construction of residential and non-residential buildings
Haily Development Sdn. Bhd.	Malaysia	100	-	Dormant
Haily Capital Sdn. Bhd.	Malaysia	100	-	Dormant
Subsidiary of Haily Construction Sdn. Bhd.				
Haily Machinery Sdn. Bhd.	Malaysia	100	100	Provision of rental of construction machinery

7. INVESTMENT IN SUBSIDIARIES CONT'D

(a) Incorporation of Haily Development Sdn Bhd

On 20 June 2022, a wholly-owned subsidiary of the Company by the name of Haily Development Sdn. Bhd. ("Haily Development") was incorporated with an initial issued share capital of RM2 comprising 2 ordinary shares, issued at RM1 each. The intended principal activity of Haily Development is property development. As at the date of this report, Haily Development has yet to commence its business.

(b) Incorporation of Haily Capital Sdn Bhd

On 26 August 2022, a wholly-owned subsidiary of the Company by the name of Haily Capital Sdn. Bhd. ("Haily Capital") was incorporated with the initial issued share capital of RM2 comprising 2 ordinary share, issued at RM1 each. Haily Capital had on 1 January 2023 commenced its business which engaged in agriculture activities.

8. OTHER INVESTMENTS

	Group 2022 RM	Group 2021 RM
Financial asset designated at FVPL		
At fair value:		
Investment securities	2,551,778	2,272,278

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2022 RM	Group 2021 RM	Company 2022 RM	Company 2021 RM
Trade					
Trade receivables	(a)	47,351,034	27,263,391	-	-
Retention sums		31,186,102	28,710,774	-	-
		78,537,136	55,974,165	-	-
Non-trade					
Other receivables		678,173	296,066	-	-
Deposits		593,198	444,615	1,000	1,000
Prepayments		408,036	138,888	12,466	11,572
Amount owing by subsidiaries	(b)	-	-	16,689,231	9,867,205
		1,679,407	879,569	16,702,697	9,879,777
Total trade and other receivables		80,216,543	56,853,734	16,702,697	9,879,777

9. TRADE AND OTHER RECEIVABLES CONT'D

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group range from 30 days to 90 days (2021: 30 days to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

(b) Amount owing by subsidiaries

Amount owing by subsidiaries are unsecured, non-trade in nature, non-interest bearing, repayable on demand and are expected to be settled in cash.

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

10. CONTRACT ASSETS/(LIABILITIES)

	Group	
	2022 RM	2021 RM
Contract assets relating to construction service contracts	47,399,729	39,013,696
Contract liabilities relating to construction service contracts	(2,871,702)	(236,587)

(a) Significant changes in contract balances

	2022		2021	
	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	-	236,587	-	2,960,004
Increases due to cash consideration received from customers, but revenue not recognised	-	(2,871,702)	-	(236,587)
Increases as a result of changes in the measure of progress	47,399,729	-	38,914,137	-
Transfers from contract assets recognised at the beginning of the financial year to receivables	(39,013,696)	-	(29,578,150)	-

10. CONTRACT ASSETS/(LIABILITIES) CONT'D

(b) Revenue recognised in relation to contract balances

	Group	
	2022	2021
	RM	RM
Revenue recognised that was included in contract liabilities at the beginning of the financial year	236,587	2,960,004

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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Cash and bank balances	25,384,269	30,124,088	3,275,001	9,889,374
Short-term deposits	1,001,692	67,276	-	-
	26,385,961	30,191,364	3,275,001	9,889,374

The interest rate of the fixed deposit placed with a licensed bank as at reporting date range from 1.30% to 2.95% (2021: 1.30%) per annum. The fixed deposit has a maturity period range from 1 month to 3 months (2021: 1 month to 3 months).

Included in the deposits placed with a licensed bank of the Group, RM1,001,692 (2021: RM67,276) 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	
	2022	2021	2022	2021
	Unit	Unit	RM	RM
Issued and fully paid-up (no par value):				
At the beginning of the financial year	178,320,700	148,320,700	61,254,988	41,529,868
Issuance of shares pursuant to public issue	-	30,000,000	-	20,400,000
Shares issuance expense	-	-	-	(674,880)
At the end of the financial year	178,320,700	178,320,700	61,254,988	61,254,988

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.

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

		Group	
		2022	2021
	Note	RM	RM
Non-current:			
Lease liabilities	(a)	241,762	704,782
Hire purchase	(b)	374,871	327,980
		616,633	1,032,762
Current:			
Lease liabilities	(a)	463,020	450,338
Hire purchase	(b)	385,955	497,944
Bank overdraft	(c)	5,529,837	-
		6,378,812	948,282
Total borrowings:			
Lease liabilities	(a)	704,782	1,155,120
Hire purchase	(b)	760,826	825,924
Bank overdraft	(c)	5,529,837	-
		6,995,445	1,981,044

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 2022 RM	Group 2021 RM
Minimum lease payments:		
- Not later than one year	483,240	490,800
- Later than one year and not later than five years	244,050	727,290
	727,290	1,218,090
Less: Future finance charges	(22,508)	(62,970)
Present value of minimum lease payments	704,782	1,155,120
Present value of minimum lease payments:		
- Not later than one year	463,020	450,338
- Later than one year and not later than five years	241,762	704,782
	704,782	1,155,120
Less: Amount due within twelve months	(463,020)	(450,338)
Amount due after twelve months	241,762	704,782

(b) Hire purchase

Hire purchase payables of the Group of RM760,862 (2021: RM825,924) bears interest ranging from 3.60% to 7.09% (2021: 3.60% to 7.09%) per annum and are secured by the Group's motor vehicles under hire purchase agreements as disclosed in Note 5 (a).

(c) Bank overdraft

Bank overdraft bears interest at 1% (2021: Nil) per annum over the Islamic Financing Rate and is secured and supported as follows:

(i) Corporate guarantee by the Company;
(ii) Guarantee by the investment securities as disclosed in Note 8.

15. DEFERRED TAX LIABILITIES

Deferred tax relates to the following:

	As at 1 January 2022 RM	Recognised in profit or loss RM (Note 22)	As at 31 December 2022 RM
Group			
Deferred tax liability:			
Property, plant and equipment	(195,196)	65,420	(129,776)

	As at 1 January 2021 RM	Recognised in profit or loss RM (Note 22)	As at 31 December 2021 RM
Group			
Deferred tax liability:			
Property, plant and equipment	(186,747)	(8,449)	(195,196)

16. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2022 RM	2021 RM	2022 RM	2021 RM
Trade					
Trade payables	(a)	55,230,397	39,646,234	-	-
Retention sums		13,129,172	12,487,157	-	-
Trade accruals		556,663	1,579,862	-	-
		68,916,232	53,713,253	-	-
Non-trade					
Other payables		369,414	478,317	140	140
Accruals		1,324,121	1,184,283	94,041	109,570
		1,693,535	1,662,600	94,181	109,710
Total trade and other payables		70,609,767	55,375,853	94,181	109,710

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 days to 90 days (2021: 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).

17. REVENUE

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Revenue from contract customers:				
Over time:				
Construction contracts	195,837,048	123,949,938	-	-
Revenue from other source:				
At a point in time:				
Construction contracts	417,978	116,554	-	-
Dividend income	-	-	1,800,000	3,500,000
	196,255,026	124,066,492	1,800,000	3,500,000

18. OTHER INCOME

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Gain on disposal of property, plant and equipment	211,000	100	-	-
Interest income	289,164	255,598	67,292	70,172
Government grants	-	195,000	-	-
Fair value gain on other investment	63,833	-	-	-
Miscellaneous	383,495	87,112	-	-
	947,492	537,810	67,292	70,172

19. FINANCE COSTS

	Group	
	2022 RM	2021 RM
Interest expense on:		
- Lease liabilities	40,462	44,151
- Hire purchase	33,757	40,494
- Revolving credit	-	28,991
- Bank overdraft	65,242	138,026
	139,461	251,662

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	
		2022	2021	2022	2021
	Note	RM	RM	RM	RM
Auditors' remuneration		121,000	90,000	48,500	29,500
Depreciation of property, plant and equipment	5	2,077,977	1,706,745	-	-
Impairment losses on goodwill		-	117,583	-	-
Property, plant and equipment written off	5	4,291	-	-	-
Employee benefits expense	21	13,900,857	10,239,369	233,530	331,220
Expenses relating to short-term and low value lease:					
- Site copier		1,200	100	-	-
- Site office		2,500	500	-	-
- Site hostel		12,000	13,400	-	-
- Office		13,200	4,400	-	-
- Hostel		10,400	800	-	-
- Head office copier		2,520	-	-	-

21. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2022	2021	2022	2021
	RM	RM	RM	RM
Salaries, allowances and bonuses	12,444,196	9,254,363	223,200	313,200
Defined contribution plans	1,172,033	842,450	-	-
Other staff related expenses	284,628	142,556	10,330	18,020
	13,900,857	10,239,369	233,530	331,220
Included in employee benefits expense are:				
- Directors' fees	223,200	289,200	223,200	289,200
- Directors' remuneration	2,396,176	1,176,000	-	24,000
- Directors' defined contribution plans	277,649	128,640	-	-
- Directors' other emoluments	4,651	3,481	-	-
	2,901,676	1,597,321	223,200	313,200

22. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2022 and 31 December 2021 are as follows:

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Statements of comprehensive income				
Current income tax:				
- Current income tax charge	2,550,915	2,787,818	12,883	14,619
- Adjustment in respect of prior year	49,494	31,304	315	-
	2,600,409	2,819,122	13,198	14,619
Deferred tax: (Note 15)				
- Origination of temporary differences	37,532	14,838	-	-
- Adjustment in respect of prior year	(102,952)	(6,389)	-	-
	(65,420)	8,449	-	-
Income tax expense recognised in profit or loss	2,534,989	2,827,571	13,198	14,619

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2021: 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	
	2022 RM	2021 RM	2022 RM	2021 RM
Profit before tax	9,135,101	9,084,390	1,239,347	3,094,646
Tax at Malaysian statutory income tax rate of 24% (2021: 24%)	2,192,424	2,180,254	297,443	742,715
Adjustments:				
- Income not subject to tax	(36,629)	(46,801)	(432,000)	(840,000)
- Non-deductible expenses	432,652	669,203	147,440	111,904
- Adjustment in respect of current income tax of prior year	49,494	31,304	315	-
- Adjustment in respect of deferred tax of prior year	(102,952)	(6,389)	-	-
Income tax expense	2,534,989	2,827,571	13,198	14,619

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	
	2022 RM	2021 RM
Profit attributable to owners of the Company	6,600,112	6,256,819
Weighted average number of ordinary shares for basic and diluted earnings per share	178,320,700	161,475,986
Basic and diluted earnings per share (sen)	3.70	3.87

24. DIVIDENDS

	Group	
	2022 RM	2021 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Single-tier interim dividend for the financial year ended 31 December 2022: RM0.0056 per ordinary share, paid on 7 October 2022	998,596	-
- Single-tier interim dividend for the financial year ended 31 December 2021: RM0.0168 per ordinary share, paid on 30 August 2021	-	2,995,788
	998,596	2,995,788

On 27 February 2023, the directors declared a second interim single-tier dividend for the financial year ended 31 December 2022 at RM0.0056 per ordinary share, amounted to RM998,596, based on the number of outstanding ordinary shares in issue as at 17 April 2023. The second interim single-tier dividend is payable to the members on 17 April 2023 and will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

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 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	-
	108,746,246	106,194,468	2,551,778
Company			
Trade and other receivables, less prepayments	16,690,231	16,690,231	-
Cash and short-term deposits	3,275,001	3,275,001	-
	19,965,232	19,965,232	-
Financial liabilities			
Group			
Borrowings	(6,290,663)	(6,290,663)	-
Trade and other payables	(70,609,767)	(70,609,767)	-
	(76,900,430)	(76,900,430)	-
Company			
Trade and other payables	(94,181)	(94,181)	-

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 RM	Amortised cost RM	FVPL RM
At 31 December 2021			
Financial assets			
Group			
Other investments	2,272,278	-	2,272,278
Trade and other receivables, less prepayments	56,714,846	56,714,846	-
Cash and short-term deposits	30,191,364	30,191,364	-
	89,178,488	86,906,210	2,272,278
Company			
Trade and other receivables, less prepayments	9,868,205	9,868,205	-
Cash and short-term deposits	9,889,374	9,889,374	-
	19,757,579	19,757,579	-
Financial liabilities			
Group			
Borrowings	(825,924)	(825,924)	-
Trade and other payables	(55,375,853)	(55,375,853)	-
	(56,201,777)	(56,201,777)	-
Company			
Trade and other payables	(109,710)	(109,710)	-

(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.

25. FINANCIAL INSTRUMENTS CONT'D

(b) Financial risk management Cont'd

(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 eight (8) (2021: seven (7)) trade receivables, representing approximately 97.4% (2021: 94.5%) of the Group's total trade receivables.

The Group applies 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.

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

	Contract assets	Retention sums	Current (Trade receivables)	1 to 30 days past due (Trade receivables)	31 to 60 days past due (Trade receivables)	61 to 90 days past due (Trade receivables)	91 to 120 days past due (Trade receivables)	> 120 days past due (Trade receivables)	Total (Trade receivables)
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Group									
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
At 31 December 2021									
Gross carrying amount	39,013,696	28,710,774	16,482,849	3,504,916	-	423,125	-	6,852,501	27,263,391
Impairment losses	-	-	-	-	-	-	-	-	-
Net balance	39,013,696	28,710,774	16,482,849	3,504,916	-	423,125	-	6,852,501	27,263,391

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 (including investment securities and cash and cash equivalents), 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 did not recognise any loss allowance for impairment for other receivables and other financial assets. Refer to Note 3.9(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

Financial guarantees contract

The maximum credit risk that the Company is exposed to from corporate guarantees amounted to RM5,529,837 (2021: Nil).

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.

(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.

25. FINANCIAL INSTRUMENTS CONT'D

(b) Financial risk management Cont'd

(ii) Liquidity risk Cont'd

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.

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			
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
Group					
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
At 31 December 2021					
Trade and other payables	55,375,853	55,375,853	-	-	55,375,853
Lease liabilities	1,155,120	490,800	727,290	-	1,218,090
Hire purchase	825,924	524,235	339,092	-	863,327
	57,356,897	56,390,888	1,066,382	-	57,457,270

25. FINANCIAL INSTRUMENTS CONT'D

(b) Financial risk management Cont'd

(ii) Liquidity risk Cont'd

Maturity analysis Cont'd
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: Cont'd

		Contractual cash flows			
	Carrying amount RM	On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	Total RM
Company					
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
	5,624,018	5,624,018	-	-	5,624,018
At 31 December 2021					
Trade and other payables	109,710	109,710	-	-	109,710

(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 its 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 RM	Effect on equity and profit for the financial year RM
Group			
31 December 2022			
Bank overdraft	5,529,837	+50	(21,013)
		-50	21,013

25. FINANCIAL INSTRUMENTS CONT'D

(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 (2021: no transfer in either directions).

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

		Fair value of financial instruments carried at fair value			
		← Fair value →			
	Carrying amount	**Level 1**	**Level 2**	**Level 3**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**
Group					
31 December 2022					
Financial asset					
Non-current					
Other investments	2,551,778	2,551,778	-	-	2,551,778
31 December 2021					
Financial asset					
Non-current					
Other investments	2,272,278	2,272,278	-	-	2,272,278

26. COMMITMENTS

(a) Capital commitments

The Group has made commitments for the following capital expenditures:

	← Group →	
	2022	**2021**
	RM	**RM**
Computer software	293,090	418,700

26. COMMITMENTS CONT'D

(b) Operating lease commitments – as lessee

The Group leases some buildings under operating leases for lease term of one (1) year (2021: one (1) year), with option to renew the lease at the end of the lease term.

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	Group	
	2022	2021
	RM	RM
Not later than one year	16,800	16,800

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	
	2022	2021	2022	2021
	RM	RM	RM	RM
Rental expenses				
- Company's holding company	480,000	360,000	-	-
Dividend income				
- Subsidiary	-	-	1,800,000	3,500,000

27. RELATED PARTIES CONT'D

(c) Compensation of key management personnel

	Group		Company	
	2022 RM	2021 RM	2022 RM	2021 RM
Salaries, allowances and bonuses	3,161,626	1,959,200	223,200	313,200
Defined contribution plans	337,499	183,360	-	-
Other staff related expenses	6,654	5,328	-	-
	3,505,779	2,147,888	223,200	313,200

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

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 2022 and 31 December 2021.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The Company has no borrowings for the current financial year. Accordingly, the calculation of gearing ratio is not meaningful to the Company.

The gearing ratio as at 31 December 2022 and 31 December 2021 are as follows:

		Group	
	Note	2022 RM	2021 RM
Borrowings/Total debts	14	6,995,445	1,981,044
Total equity		80,561,516	74,960,000
Gearing ratio (times)		0.09	0.03

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.

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 and rental of construction machinery and equipment

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.

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)	-
	195,741,280	5,023,945	(4,510,199)	196,255,026
Results:				
Included in the measure of segment profit are:				
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	9,104,868	1,822,832	(1,792,599)	9,135,101
Income tax expenses	(2,377,666)	(157,323)	-	(2,534,989)
Profit for the financial year	6,727,202	1,665,509	(1,792,599)	6,600,112
Assets:				
Additions to non-current assets	2,270,166	-	-	2,270,166
Segment assets	156,107,068	65,388,679	(59,866,528)	161,629,219

NOTES TO THE FINANCIAL STATEMENTS CONT'D

29. SEGMENT INFORMATION CONT'D

	Building construction RM	Others RM	Adjustment and eliminations RM	Total RM
2021				
Revenue:				
Revenue from external customers	123,843,996	222,496	-	124,066,492
Inter-segment revenue	-	1,643,278	(1,643,278)	-
	123,843,996	1,865,774	(1,643,278)	124,066,492
Results:				
Included in the measure of segment profit are:				
Gain on disposal of property, plant and equipment	100	37,000	(37,000)	100
Interest income	185,426	70,172	-	255,598
Government grants	170,400	24,600	-	195,000
Depreciation of property, plant and equipment	(1,549,326)	(164,819)	7,400	(1,706,745)
Employee benefits expense	(9,148,534)	(1,090,835)	-	(10,239,369)
Interest expenses	(251,662)	-	-	(251,662)
Expenses relating to short-term and low value leases	(19,200)	-	-	(19,200)
Segment profit	12,471,366	260,207	(3,647,183)	9,084,390
Income tax expenses	(2,753,508)	(74,063)	-	(2,827,571)
Profit for the financial year	9,717,858	186,144	(3,647,183)	6,256,819
Assets:				
Additions to non-current assets	1,944,978	567,035	(37,000)	2,475,013
Segment assets	121,705,878	64,165,164	(52,637,791)	133,233,251

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

29. SEGMENT INFORMATION CONT'D

Geographical 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	
	2022 RM	2021 RM
Customer I	36,511,137	6,205,944
Customer II	30,275,405	45,200,680
Customer III	25,570,036	5,454,291
Customer IV	22,935,003	9,677,170
Customer V	21,973,456	3,320,286
Customer VI	21,077,190	15,408,360
	158,342,227	85,266,731

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 2022 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: 29 March 2023

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 29 March 2023.

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 2022 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 a summary of significant accounting policies, as set out on pages 65 to 121.

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 2022, 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

Trade receivables and contract assets (Notes 9, 10 and 25 to the financial statements)

The Group has significant trade receivables and contract assets as at 31 December 2022. We focused on this area because the Group made significant judgements and the level of uncertainty involved on assessing customer's specific conditions, credit history as well as forward looking information. In making these assumptions, the Group has assessed the allowances for impairment loss of trade receivables and contract assets on an individual basis.

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;
- developing understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection 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 significantly past due balances; and
- assessing the reasonableness of expected credit losses provided as at the end of the reporting period.

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

Key Audit Matters CONT'D

Revenue recognition for construction activities (Note 17 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 (input method). We focused on this area because significant Group's 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.

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;
- comparing the Group's computed progress towards complete satisfaction of performance obligation for identified projects against architect or consultant certificate; and
- checking the mathematical computation of recognised revenue for the projects during the financial year.

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.

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.

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

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.

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.

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

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

Ng Jou Yin
No. 03460/11/2023 J
Chartered Accountant

Kuala Lumpur

Date: 29 March 2023

ANALYSIS OF SHAREHOLDINGS

SHARE CAPITAL AS AT 21 MARCH 2023

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 21 MARCH 2023

No. of shareholders	Size of shareholdings	No. of shares held	%
7	Less than 100 shares	100	0.00
195	100 to 1,000 shares	129,720	0.07
769	1,001 to 10,000 shares	4,352,600	2.44
474	10,001 to 100,000 shares	15,077,580	8.46
80	100,001 to less than 5% of issued shares	28,440,000	15.95
1	5% and above of issued shares	130,320,700	73.08
1,526	**TOTAL**	**178,320,700**	**100.00**

LIST OF 30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 21 MARCH 2023

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	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENG AH MOI	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	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA KENG HUAT (E-JAH)	841,000	0.47
7	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR BEH YONG WAH	700,000	0.39
8	YON MARKETING SDN BHD	650,000	0.36
9	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG CHEE HAO (E-JBU)	635,500	0.36
10	LIM TECK LOONG	512,000	0.29
11	SEE SWEE LING	500,000	0.28
12	YOONG WOEI YEH	500,000	0.28
13	TAN SIEW CHIN	450,000	0.25
14	LOW CHIN CHUN	430,000	0.24
15	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KHO PING	422,000	0.24
16	EDMUND CH'NG CHENG YOON	400,000	0.22
17	LAU LI YIN	400,000	0.22
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE WAI HIN	400,000	0.22
19	NG CHIN HOE	400,000	0.22

ANALYSIS OF SHAREHOLDINGS CONT'D

LIST OF 30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 21 MARCH 2023 CONT'D

No.	Name of shareholders	No. of shares held	%
20	NG TIM FOO	400,000	0.22
21	WINSTON CHIEW SOON KIAT	400,000	0.22
22	LIEW TAT YANG	396,200	0.22
23	CHIEW KHA CHAI	392,800	0.22
24	OH ENG LEONG	346,000	0.19
25	CHEW JIIN @ CHEW LEE CHIN	342,700	0.19
26	TAY HONG SING	300,000	0.17
27	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN GAIK SUAN	297,800	0.17
28	PHILLIP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEOH HOCK SENG	295,100	0.17
29	MAYBANK NOMINEES (TEMPATAN) SDN BHD TING HIE SING	280,000	0.16
30	KOH AH GEIK	279,000	0.16

SUBSTANTIAL SHAREHOLDERS AS AT 21 MARCH 2023

(As per Register of Substantial Shareholders)

		No. of shares held			
No.	Name of shareholders	Direct Interest	%	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 21 MARCH 2023

(As per Register of Directors' Shareholdings)

		No. of shares held			
No.	Name of Directors	Direct Interest	%	Deemed Interest	%
1	HAJI MOHD JAFFAR BIN AWANG (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 THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Third Annual General Meeting ("**3rd AG**M") 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 Wednesday, 24 May 2023 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 2022 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**

2. To re-elect Mr See Tin Hai, a Director retiring by rotation pursuant to Clause 133 of the Company's Constitution. **ORDINARY RESOLUTION 1**

3. To re-elect Mr Tan Sui Huat, a Director retiring by rotation pursuant to Clause 133 of the Company's Constitution. **ORDINARY RESOLUTION 2**

4. To re-elect Ms See Cul Wei, a Director retiring pursuant to Clause 118 of the Company's Constitution. **ORDINARY RESOLUTION 3**

5. To approve the payment of Directors' Fees of RM239,790 for the financial year ending 31 December 2023, 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 2023 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)

   "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**").

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: 25 April 2023

NOTES:

1. **IMPORTANT NOTICE**

Members/proxies/corporate representatives who wish to attend the 3rd AGM in person **ARE REQUIRED TO PRE-REGISTER** with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("**Share Registrar**" or "**TIIH**"), via the **TIIH Online** website at https://tiih.online not later than **Monday, 22 May 2023** at **9.30 a.m.** Please follow the Pre-Register procedures as set out in the Administrative Guide for 3rd AGM.

2. 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.

3. 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.

4. A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.

5. 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.

6. 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.

NOTICE OF THIRD ANNUAL GENERAL MEETING CONT'D

NOTES: CONT'D

7. 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.

8. 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.

9. 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.

10. In respect of deposited securities, only members whose names appear on the Record of Depositors on **17 May 2023**, 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 2022

   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 2023

   The proposed Ordinary Resolution 4, if passed, will facilitate the payment of Directors' fees for the financial year ending 31 December 2023, 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 Second Annual General Meeting ("**2nd 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.

EXPLANATORY NOTES: CONT'D

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

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.

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 2nd AGM of the Company held on 25 May 2022, which will lapse at the conclusion of the 3rd 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.

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FORM OF PROXY

HAILY GROUP BERHAD
202001006412 (1362732-T)
(Incorporated in Malaysia)

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 3)*
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 3)*
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 3rd 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 Wednesday, 24 May 2023 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 See Tin Hai		
Ordinary Resolution 2	Re-election of Mr Tan Sui Huat		
Ordinary Resolution 3	Re-election of Ms See Cul Wei		
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 2023

……………………………………………
Signature / Common Seal of member(s)

NOTES:

1. **IMPORTANT NOTICE**
   Members/proxies/corporate representatives who wish to attend the 3rd AGM in person **ARE REQUIRED TO PRE-REGISTER** with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("**Share Registrar**" or "**TIIH**"), via the **TIIH Online** website at https://tiih.online not later than **Monday, 22 May 2023** at **9.30 a.m.** Please follow the Pre-Register procedures as set out in the Administrative Guide for 3rd AGM.
2. 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.
3. 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.
4. A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.
5. 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.
6. 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.
7. 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.
8. 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.
9. 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.
10. In respect of deposited securities, only members whose names appear on the Record of Depositors on **17 May 2023**, 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.

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STAMP

Share Registar
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

Haily Group
202001006412 (1362732-T)

HAILY GROUP BERHAD
No. 3339, Jalan Pekeliling Tanjung 27
Kawasan Perindustrian Indahpura
81000 Kulai, Johor
Tel No.: +607-6609888
Fax No.: +607-663 8866
Email: corporate@haily.com.my
Website : www.haily.my