

7. BUSINESS OVERVIEW (CONT'D)

Project Name	Description	Customer	Start Date ⁽¹⁾	Completion Date ⁽²⁾	Total Contract Value ⁽³⁾ (RM million)
10 SDF Taman Perindustrian Ringan Pulau Project	Construction of 10 units of single storey semi-detached factories in Taman Perindustrian Ringan Pulau, Johor	Danau Homes Sdn Bhd	October 2017	May 2019	9.06
3 SSF Taman Perindustrian Maju Cemerlang Project	Construction of 3 units of single storey factories in Taman Perindustrian Maju Cemerlang, Plentong, Johor	Juragan Jaya Sdn Bhd	October 2016	April 2018	9.00

Notes:

- (1) Based on date of site possession.
- (2) Based on issuance date of CPC.
- (3) Refers to final contract value including variation orders.
- (4) The Indahpura Business Central (Phase 1) Project obtained the CPC on 19 November 2020. The completion of the said project was proposed to be extended from July 2020 to November 2020. We obtained the EOT and further EOT approvals on 15 October 2020 and 25 October 2020, respectively.
- (5) The Indahpura Business Central (Phase 2) Project obtained the CPC on 12 April 2021. The completion of the said project was proposed to be extended from June 2020 to April 2021. We obtained the EOT and further EOT approvals on 1 July 2020, 15 October 2020, 4 December 2020, 25 February 2021 and 31 March 2021, respectively.

7. BUSINESS OVERVIEW (CONT'D)

7.5.9.2 On-going projects

For the past four Financial Years Under Review and up to 10 June 2021, the list of on-going building construction projects with a contract value of RM1 million and above are as follows:

Residential

Project Name	Description	Customer	Start Date ⁽¹⁾	Expected Completion Date		Total Contract Value ⁽⁵⁾ (RM million)	Approximate Percentage of Completion as at 10 June 2021 (%)	Remaining Contract Value as at 10 June 2021 (RM million)
				Contracted Completion Date ⁽²⁾	Extension of time ("EOT") Date ⁽³⁾			
Single-dwelling buildings								
264 DSTH Bandar Jaya Putra Project	Construction of 264 units of 2-storey terrace houses in Bandar Jaya Putra, Tebrau, Johor	Austin Senibong Development Sdn Bhd	January 2020	June 2021	August 2021 (approved on 29 July 2020) ⁽⁴⁾	48.67	92%	3.83
185 DSTH Meridin East – Parcel 11 Project	Construction of 185 units of 2-storey terrace houses in Meridin East, Plentong, Johor	Meridin East Sdn Bhd	January 2020	April 2021	July 2021 (approved on 21 September 2020) ⁽⁴⁾	34.60	73%	9.41
164 DSTH Meridin East – Parcel 1F2 Project	Construction of 164 units of 2-storey terrace houses in Meridin East, Plentong, Johor	Meridin East Sdn Bhd	July 2019	September 2020	<ul style="list-style-type: none"> • April 2021 (approved on 25 January 2021) ⁽⁴⁾ • June 2021 ⁽⁷⁾ (approved on 29 April 2021) 	30.80	92%	2.33

7. BUSINESS OVERVIEW (CONT'D)

Project Name	Description	Customer	Start Date ⁽¹⁾	Expected Completion Date		Total Contract Value ⁽⁵⁾ (RM million)	Approximate Percentage of Completion as at 10 June 2021 (%)	Remaining Contract Value as at 10 June 2021 (RM million)
				Contracted Completion Date ⁽²⁾	Extension of time ("EOT") Date ⁽³⁾			
128 DSTH Taman Impian Emas Project	Construction of 128 units of 2-storey terrace houses in Taman Impian Emas, Tebrau, Johor	Gunung Impian Development Sdn Bhd	August 2019	November 2020	<ul style="list-style-type: none"> February 2021 (approved on 6 July 2020 which has lapsed) March 2021 (approved on 8 February 2021 which has lapsed) June 2021 (approved on 6 April 2021) July 2021 (applied for EOT on 4 June 2021 and is pending approval) ⁽⁴⁾ 	26.00	92%	2.06
30 TSSD Taman Nusa Sentral Project	Construction of 30 units of 3-storey semi-detached houses in Taman Nusa Sentral, Pulai, Johor	Country View Resources Sdn Bhd	December 2019	February 2021	<ul style="list-style-type: none"> May 2021 (1st EOT approved on 21 May 2020) February 2022 (2nd EOT approved on 6 May 2021) ⁽⁴⁾ 	18.19	86%	2.56

7. BUSINESS OVERVIEW (CONT'D)

Project Name	Description	Customer	Start Date ⁽¹⁾	Expected Completion Date		Total Contract Value ⁽⁵⁾ (RM million)	Approximate Percentage of Completion as at 10 June 2021 (%)	Remaining Contract Value as at 10 June 2021 (RM million)
				Contracted Completion Date ⁽²⁾	Extension of time ("EOT") Date ⁽³⁾			
Taman Ungku Tun Aminah – Zone 13 Project	Construction of 30 units of 2-storey cluster houses, 56 units of 2-storey terrace houses and refurbishment of 2 units of 2-storey cluster houses in Taman Ungku Tun Aminah, Pulai, Johor (in Zone 13)	Danau Homes Sdn Bhd	December 2019	December 2020	<ul style="list-style-type: none"> March 2021 (1st EOT approved on 2 July 2020) September 2021 (2nd EOT approved on 15 March 2021) ⁽⁴⁾ 	16.93	92%	1.39
120 Bandar Putra Project	Construction of 120 units of single storey terrace houses in Bandar Putra, Senai, Johor	Nice Frontier Sdn Bhd	February 2020	May 2021	<ul style="list-style-type: none"> July 2021 (approved on 22 March 2021) ⁽⁴⁾ 	14.23	89%	1.51
30 SSSD Taman Ungku Tun Aminah – Zone 9 Project	Construction of 30 units of single storey semi-detached houses in Taman Ungku Tun Aminah, Pulai, Johor (in Zone 9)	Danau Homes Sdn Bhd	November 2019	February 2021	<ul style="list-style-type: none"> April 2021 (1st EOT approved on 12 June 2020) October 2021 (2nd EOT approved on 22 February 2021) ⁽⁴⁾ 	7.90	82%	1.45

7. BUSINESS OVERVIEW (CONT'D)

Project Name	Description	Customer	Start Date ⁽¹⁾	Expected Completion Date		Total Contract Value ⁽⁵⁾ (RM million)	Approximate Percentage of Completion as at 10 June 2021 (%)	Remaining Contract Value as at 10 June 2021 (RM million)
				Contracted Completion Date ⁽²⁾	Extension of time ("EOT") Date ⁽³⁾			
122 DSTH Bandar Putra Project	Construction of 122 units of double storey terrace houses in Bandar Putra, Senai, Johor	Nice Frontier Sdn Bhd	February 2021 ⁽⁶⁾	2022	-	20.28	18%	16.66
217 DSTH Taman Mutiara Maju Project	Construction of 217 units of 2-storey terrace houses in Taman Mutiara Maju, Pulai, Johor	Danau Homes Sdn Bhd	July 2021	October 2022	-	38.08	-	38.08
206 DSTH Gelang Patah Project	Construction of 206 units of 2-storey terrace house located at Gelang Patah, Pontian, Johor	Mandy Corporation Sdn Bhd	August 2021	January 2023	-	51.46	-	51.46

Notes:

- (1) The start date is based on date of site possession.
- (2) The contracted completion date is based on date of completion stated in the letter of award.
- (3) The EOT Date refers to the revised completion date based on extension of time granted by our customers.
- (4) These projects were delayed due to the impact of the COVID-19 outbreak and MCO conditions. As such, we have sought for extension of time from our customers. We have obtained approval for extension of time for the respective projects above.
- (5) Refers to contract value which includes variation orders.

7. BUSINESS OVERVIEW (CONT'D)

- (6) This project consists of 2 units of show houses (i.e. Section 1) and 120 units of houses (i.e. Section 2). The construction for Section 1 commenced in February 2021 and is expected to be completed within 4 months. The construction for Section 2 has yet to commence and the date of commencement is to be notified by the customer. Section 2 is expected to be completed within 15 months from date of commencement.
- (7) As at the LPD, the physical construction for this project has been completed and we submitted the draft statement of final account to the customer on 30 December 2020 and is pending finalisation of the said draft statement of final account.

Mutual termination of a building construction project – 174 DSTH St Marco Park (Phase 2) Project

Notwithstanding the above, in 2019, we secured the 174 DSTH St Marco Park (Phase 2) Project with contract value of RM41.50 million from Pembinaan Intra Vista Sdn Bhd (“PIV”). This is for the construction of 174 units of 2-storey terrace house in Kulai, Johor. The project commenced construction in the same year of 2019 and was initially scheduled to be completed by November 2020⁽¹⁾. The total billing (including retention sum) for this project was approximately RM10.64 million based on construction works done till 21 August 2020. On 21 September 2020, Casa Bayu Idaman Sdn Bhd (“Casa Bayu” or “Developer”), PIV as the main contractor and Haily Construction as a sub-contractor entered into an agreement (which was subsequently supplemented by a supplementary agreement dated 15 January 2021) for the mutual termination of 174 DSTH St Marco Park (Phase 2) Project and the settlement of the outstanding work done till 31 July 2020 and retention sum for 93 DSTH St Marco Park (Phase 1) Project of approximately RM1.65 million, which sums up to approximately RM12.29 million for works performed in relation to the following construction projects:

- (i) 93 DSTH St Marco Park (Phase 1) Project; and
 - (ii) 174 DSTH St Marco Park (Phase 2) Project,
- (referred to as “St Marco Settlement Agreement”).

As security for the full repayment of approximately RM12.29 million by PIV to Haily Construction and the performance and observance of the terms and conditions of the St Marco Settlement Agreement, a director of Casa Bayu has executed a letter of guarantee and indemnity in favour of Haily Construction to undertake the payment of the amount guaranteed and the due performance of the guarantee. Please refer to Section 15.5 of this Prospectus for further details.

Note:

- (1) Subsequent to entering into the St Marco Settlement Agreement on 21 September 2020, our Group made further billings to PIV of which RM0.36 million is outstanding as at the LPD. The said billings were made upon finalisation of accounts as the project was completed in November 2020. This amount is not part of the St Marco Settlement Agreement and is intended to be settled in accordance to the credit terms.

7. BUSINESS OVERVIEW (CONT'D)

Non-residential

Project Name	Description	Customer	Start Date ⁽¹⁾	Expected Completion Date		Total Contract Value ⁽⁴⁾ (RM million)	Approximate Percentage of Completion as at 10 June 2021 (%)	Remaining Contract Value as at 10 June 2021 (RM million)
				Contracted Completion Date ⁽²⁾	EOT Date ⁽³⁾			
Commercial buildings								
Bandar Jaya Putra Project	Construction of 3-storey shop offices and 10 units of 4-storey shop offices in Bandar Jaya Putra, Tebrau, Johor	Austin Senibong Development Sdn Bhd	November 2020	July 2022	-	62.52	41%	37.03
Indahpura Business Central (Phase 3) Project	Construction of 14 units of 2-storey shop offices and 15 units of 3-storey shop offices in Kulai, Johor	Tek Land Sdn Bhd	First quarter 2022 ⁽⁵⁾	Second quarter 2023 ⁽⁶⁾	-	9.41	-	9.41
147 DSTV Aurora Sentral Project	Construction of 147 units of double storey terrace villas located in Aurora Sentral, Pulai, Johor	Country View Resources Sdn Bhd	July 2021	End of 2022	-	45.08	Less than 1%	44.97

7. BUSINESS OVERVIEW (CONT'D)

Project Name	Description	Customer	Start Date ⁽¹⁾	Expected Completion Date		Total Contract Value ⁽⁴⁾ (RM million)	Approximate Percentage of Completion as at 10 June 2021 (%)	Remaining Contract Value as at 10 June 2021 (RM million)
				Contracted Completion Date ⁽²⁾	EOT Date ⁽³⁾			
Purpose-built buildings AME Dormitory Project	Construction of 2 blocks of 5-storey dormitory in Taman Perindustrian I-Park, Kulai Johor	AME Development Sdn Bhd	August 2020	October 2021	-	20.90	34%	13.70
Aurora Sentral Clubhouse Project	Construction of a clubhouse with facilities among others, swimming pool, management office, badminton hall, gymnasium, public toilets and changing room located in Aurora Sentral, Pulai, Johor	Country View Resources Sdn Bhd	July 2021	End of 2022	-	6.74	Less than 1%	6.72

7. BUSINESS OVERVIEW (CONT'D)

Project Name	Description	Customer	Start Date ⁽¹⁾	Expected Completion Date		Total Contract Value ⁽⁴⁾ (RM million)	Approximate Percentage of Completion as at 10 June 2021 (%)	Remaining Contract Value as at 10 June 2021 (RM million)
				Contracted Completion Date ⁽²⁾	EOT Date ⁽³⁾			
SJK (C) Sim Mow Yu Project	Construction of one block of 3-storey school in Bestari Perdana, Plentong, Johor	SJK (C) Sim Mow Yu	July 2021	March 2022	-	6.65	Less than 1%	6.63

Notes:

- (1) The start date is based on date of site possession.
- (2) The contract completion date is based on date of completion stated in the letter of award.
- (3) The EOT Date refers to the revised completion date based on extension of time granted by our customers.
- (4) Refers to contract value which includes variation orders.
- (5) The commencement of this project is in first quarter of 2022 based on notification received from the customer. The construction work is expected to be completed within 15 months from the date of site possession.

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7. BUSINESS OVERVIEW (CONT'D)

Summary of our Group's on-going project pending approval of EOT as at the LPD

Project name	Initial contracted completion date	Extended completion date	Status of EOT as at the LPD
Residential project 128 DSTH Taman Impian Emas Project	November 2020	1 st EOT until February 2021 which has lapsed 2 nd EOT until March 2021 which has lapsed 3 rd EOT until June 2021 Further EOT until July 2021 ⁽¹⁾	Approved Approved Approved Pending

Note:

(1) We have sought for further extension of time for this project on 4 June 2021.

Pursuant to the Full MCO 3.0, our on-site construction activities are suspended. This may result in delays for our on-going-projects, and we will seek extension of time for our projects. In the event the request for EOT is rejected by our customers, we may be subject to potential LAD claims based on the terms of the letters of award. Please refer to Section 9.1.4 of this Prospectus for further details on the potential risk exposure of the LAD.

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7. BUSINESS OVERVIEW (CONT'D)

7.5.10 Our civil engineering construction works projects

A small proportion of our revenue was derived from civil engineering works. The civil engineering construction works mainly involved the refurbishment and conversion of existing sales gallery to food court, construction of underground on-site detention tank and construction of perimeter fencing and security guardhouse, as well as rectification and extension works for existing buildings.

For the Financial Years Under Review and up to the LPD, the details of our completed projects for civil engineering construction works are as follows:

Project Name	Description	Customer	Start Date ⁽¹⁾	Completion Date ⁽²⁾	Total Contract Value ⁽³⁾ (RM million)
Completed					
Tanjung Puteri – Refurbishment and extension Project	Refurbishment and conversion of existing sales gallery to food court at Tanjung Puteri, Johor Bahru	Connoisseur Food Generation Sdn Bhd	November 2019	June 2020	2.00
Promenade Residence – Underground on-site detention tank Project	Construction of underground on-site detention tank at Promenade Residence in Taman Ungku Tun Aminah, Pulai, Johor	Tasek Homes Sdn Bhd	September 2018	January 2019	0.99
Tasek Central – Resurfacing works and construction of access road Project	Resurfacing works for open car park and construction of access road at Tasek Central, Taman Ungku Tun Aminah, Pulai, Johor	Tasek Maju Realty Sdn Bhd	March 2017	June 2017	0.36
Taman Nusa Sentral – Guardhouse and perimeter fencing Project	Construction of 1 unit of guardhouse and perimeter fencing in Taman Nusa Sentral, Pulai, Johor	Country View Resources Sdn Bhd	January 2019	August 2019	0.32
Desa Palma – Refurbishment Project	Refurbishment works at Desa Palma, Tebrau, Johor	Nasa Land Sdn Bhd	July 2019	November 2019	0.06

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years Under Review and up to 10 June 2021, the details of our on-going projects for civil engineering construction works are as follows:

Project Name	Description	Customer	Start Date ⁽¹⁾	Expected Completion Date ⁽⁴⁾	Total Contract Value ⁽⁵⁾ (RM million)	Approximate Percentage of Completion as at 10 June 2021 (%)	Remaining Contract Value as at 10 June 2021 (RM million)
On-going							
Taman Nusa Sentral – Guardhouse and perimeter fencing Project	Construction of 1 unit of guardhouse and perimeter fencing in Taman Nusa Sentral, Pulau, Johor	Country View Resources Sdn Bhd	June 2019	February 2022 ⁽⁶⁾	0.53	98%	0.01
I-Parc Tanjung Pelepas remedial work Project	Remedial works for TNB double chamber substation due to residual soil settlement in I-Parc Tanjung Pelepas, Johor Bahru	Mah Sing Properties Sdn Bhd	Fourth quarter of 2021	⁽⁷⁾	0.11	-	0.11

Notes:

- (1) Based on date of site possession.
- (2) Based on issuance date of CPC or project handover date.
- (3) Refers to final contract value includes variation orders.
- (4) Based on date of completion stated in the letter of award or revised completion date based on extension of time granted by our customers.
- (5) Refers to contract value which includes variation orders.
- (6) The expected completion of this project is subject to the completion of 30 TSSD Taman Nusa Sentral Project as the area for the guardhouse and perimeter fencing is being used as access road for the construction site.
- (7) The remedial work is expected to be completed within 2 months from the date of site possession.

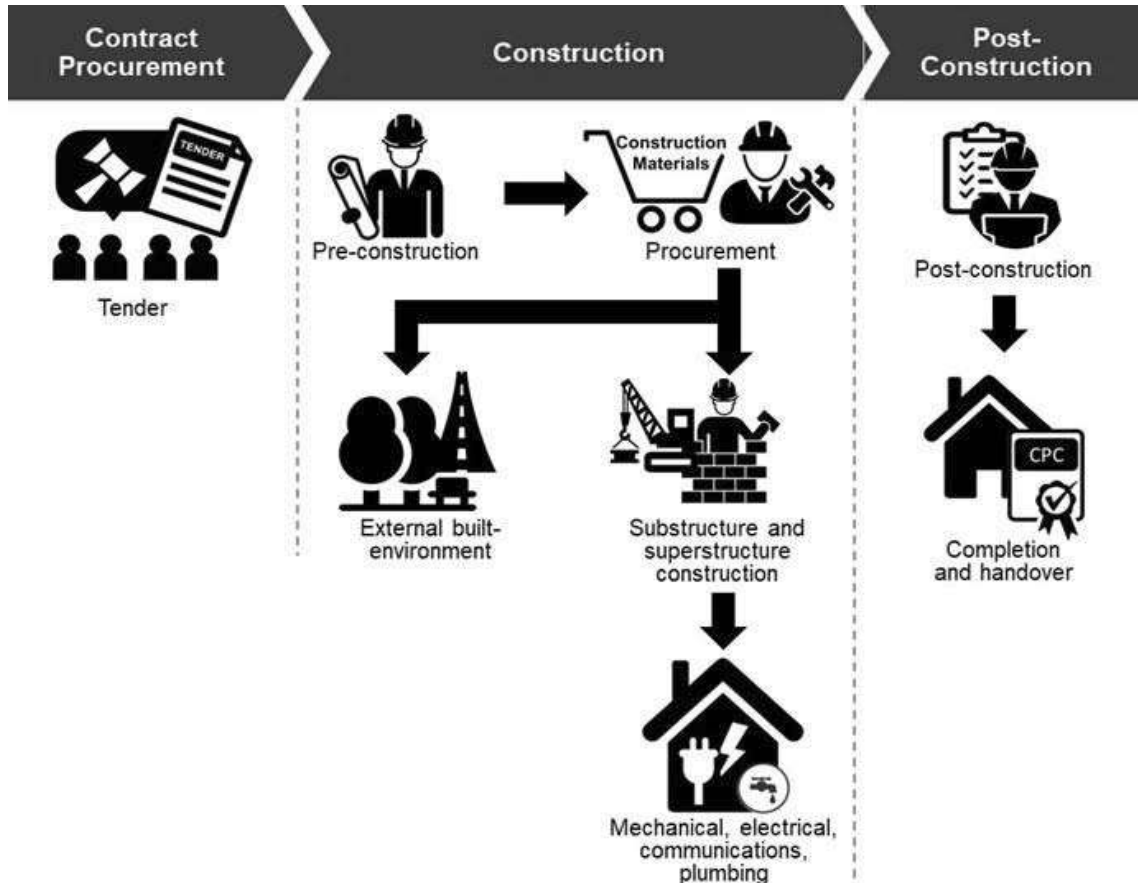
7. BUSINESS OVERVIEW (CONT'D)

7.6 SEASONALITY

We do not experience any material seasonality in our business.

7.7 OUR OPERATION PROCESSES

Our general process flow as a main contractor to carry out a building construction project is depicted in the diagram below:



The implementation of our construction projects typically consists of three phases namely contract procurement, construction and post-construction.

Contract Procurement

Contract procurement is the initial phase of a construction project where the contract of the project is secured and the terms of the contract are negotiated and agreed. Generally, some of the key terms outlined in a construction contract include contract value, scope of work, work commencement date and work completion date. Timely completion of the construction project is one of the main measures for the performance of a construction company, as delays will trigger liquidated and ascertained damages (“LAD”) penalty. For the Financial Years Under Review, we have not experienced any delays in the delivery of our construction projects.

7. BUSINESS OVERVIEW (CONT'D)

Our construction projects are mainly secured through tendering process which begins with invitation to tender received from prospective customers. Our decision to participate in the tendering process is based on preliminary assessment conducted by our team to evaluate, among others, contract terms and background of the customer. Once we have decided to bid, we will commence the preparation of tender documents that involve, technical and commercial proposals. The technical proposal will cover all qualitative and technical aspects of our building construction proposal, while the commercial proposal will focus on the pricing including terms and conditions for our work. We will then submit our tender bid together with a tender bond.

Construction

Once a contract is secured, we will proceed to the construction phase which involves the following stages:

- **Pre-construction:** At pre-construction stage, we are responsible and involved in project scheduling and planning, costing, budgeting and financing, site preparation as well as obtaining and complying to regulatory matters. During this stage, we will register with the local authority and obtain all the necessary registration, licenses and permits before the commencement of construction works.

This is followed by site clearance and earthworks incorporating excavation, backfilling, levelling and earth compaction, as well as any other necessary civil works to prepare the site for building construction works.

Typically, we undertake the earthworks and site preparation where we use our machinery and equipment. However, there are situations where we do not have sufficient machinery and equipment especially for large projects, we will then hire machinery and equipment, and engage subcontractors to carry out the works under our supervision and control.

During the pre-construction stage, we will also be responsible to establish staging areas for machinery, equipment and materials as well as setting up of temporary facilities and utilities such as site office, workers amenities, power and potable water.

- **Procurement:** This involves the procurement of construction materials, hiring of machinery and equipment, contracting labour and appointing external contractors. The appointment of suppliers and subcontractors will be based on criteria such as timeliness of delivery, reputation, reliability, quality and pricing. In addition, our procurement of building materials is based on purchase order made on demand prior to each stage of construction works.

- **Construction:** This includes substructure which refers to foundation works and superstructure refers to all structures above the ground. Superstructure works will only commence once the substructure is completed. During the construction stage, we are mainly involved in project management, coordinating workflow, supervision of construction work, material scheduling, quality assurance as well as workers' health and safety.

Site clearance and earthworks



Temporary Site Office



Superstructure Construction



7. BUSINESS OVERVIEW (CONT'D)

Our superstructure construction also includes all external and internal finishing of the buildings. We engage subcontractors to carry the works under our supervision using our machinery and equipment. In situations where we do not have sufficient machinery and equipment, we will then hire from external parties. Some of the subcontractors we engage may carry out the works with their machinery and equipment. These construction works are monitored by our project team to ensure that the construction works are completed according to schedule. In general, we had a relative low level of key machinery and equipment for our building construction segment as demonstrated by the fact that we had a NBV of RM0.51 million as at 31 December 2020 as some of these have been fully depreciated for example, the average age of our cranes and backhoe loaders were 18 years and 12 years respectively. Our rental of machinery and equipment costs also represented a small proportion of approximately 1% of our total purchases during the Financial Years under Review as some of the subcontractors' costs have taken into consideration the use of their machinery and equipment. Please refer to Section 7.13 for further details on our key machinery and equipment, and Section 7.9 for details on purchases of input materials and services.

- **External built-environment construction:** Concurrently with the construction of superstructures, the construction of the external built-environment including internal infrastructure such as access roads and interconnection of utilities, as well as landscaping incorporating beautification and installation of fixtures and features are undertaken at the same time by subcontractors under our supervision.
- **Mechanical, electrical, communications and plumbing system installation:** The mechanical, electrical, communications and plumbing system installation works will commence after the completion of superstructure construction.

Installation of the electrical system involves connecting power cables and wires to the distribution line for the supply of electricity within and outside of the property. In addition, it also involves the installation of electrical distribution, protection and control devices such as switchboards, switches and surge protectors for electricity distribution and protection purposes. Communications cabling for fixed line telephony and internet system is commonly carried out together with the electrical cabling as they commonly share the same route within as well as outside the building. Meanwhile, the installation of plumbing systems involves connecting the property to the water grid and sewerage system and also the installation of internal water reticulation and storage systems within the buildings.

Post-construction

Once the construction works are completed, we will conduct final inspection together with the customer, engineer and architect before the project is officially handed over to the customer. Any defects or unsatisfactory works identified during the inspection will need to be rectified promptly. At the same time, we will also demobilise resources and construction materials from the site before handover. The project is deemed to be completed upon receiving the certificate of practical completion ("CPC") issued by the project architect.

Completed Project



Depending on the contract, we are liable for the rectification of defects during the defects liability period ("DLP"), which ranges from 12 months up to 30 months. Upon the expiring of DLP we will receive the CMGD for the project where we will be able to claim the final retention sum.

7. BUSINESS OVERVIEW (CONT'D)**7.8 OPERATIONAL FACILITIES, CAPACITIES AND OUTPUT****7.8.1 Operational facilities**

As at LPD, our Group's head office is located in Johor and details are as follows:

Company	Main Function	Location of Facilities	Approximate Built-up Area
Haily Construction	Head office	No. 3339, Jalan Pekeliling Tanjung 27, Kawasan Perindustrian Indahpura, 81000 Kulai, Johor	35,088 sq. ft
Haily Machinery	Storage facility		

7.8.2 Production output, capacity and utilisation

We are principally involved in building construction and as such, production output, capacity and utilisation are not relevant to our business operations.

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7. BUSINESS OVERVIEW (CONT'D)**7.9 TYPE, SOURCES AND AVAILABILITY OF MATERIAL AND SERVICES**

The following are the major types of input materials and services that we purchased for our business operations for the Financial Years Under Review.

Purchases of Input Materials and Services

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Subcontracted services	58,298	62.59	90,435	62.02	75,201	58.54	85,902	64.71
Building works	36,314	38.98	59,591	40.87	52,121	40.58	58,355	43.96
Mechanical and electrical (M&E) works	16,176	17.37	26,213	17.98	14,751	11.48	18,755	14.13
External and fencing works	2,941	3.16	2,162	1.48	3,434	2.67	4,095	3.08
Other subcontracted services	2,867	3.08	2,469	1.69	4,895	3.81	4,697	3.54
Construction materials	34,075	36.58	53,651	36.79	51,766	40.30	45,682	34.41
Concrete and cement materials	10,352	11.11	15,038	10.31	15,617	12.16	13,948	10.51
Steel based materials	11,793	12.66	13,514	9.27	13,049	10.16	8,272	6.23
Brickwork materials and tiles	5,747	6.17	14,860	10.19	12,218	9.51	15,277	11.51
Timber and plywood	2,085	2.24	3,042	2.09	4,942	3.85	3,091	2.32
Doors, windows and related materials	798	0.86	1,873	1.28	1,942	1.51	1,435	1.08
Other materials ⁽¹⁾	3,300	3.54	5,324	3.65	3,998	3.11	3,659	2.76
Rental of machinery and equipment	775	0.83	1,742	1.19	1,494	1.16	1,162	0.88
TOTAL	93,148	100.00	145,828	100.00	128,461	100.00	132,746	100.00

Note:

(1) Other materials include hardware and consumables, scaffolding, concrete pipes, plastic pipes and accessories, ceiling sheets and materials, paint materials, and others.

Our purchases of subcontracted services accounted for 62.59%, 62.02%, 58.54% and 64.71% of our total purchases of input materials and services for FYE 2017, FYE 2018, FYE 2019 and FYE 2020 respectively. The following are some of the services where we engaged external parties to carry out the works:

- Building works such as bricklaying and concreting, wood and metal joinery, glazing, flooring, tiling, ceiling, roofing, waterproofing, painting and coating, and other finishing works;
- M&E works include supply and installation of all mechanical and electrical system such as lifts for serviced apartments, pumps, fire protection, security, air conditioning, communications, water storage and plumbing systems;
- External infrastructure works such as paving of walkways and access road, as well as perimeter fencing works; and

7. BUSINESS OVERVIEW (CONT'D)

- Other subcontracted services include earthworks and site preparation, piling, sewerage and drainage system, installation of related facilities such as swimming pool and fitness centre, and playground, as well as landscaping works.

The purchases of construction and building materials accounted for 36.58%, 36.79%, 40.30% and 34.41% of our purchases of input materials and services for FYE 2017, FYE 2018, FYE 2019 and FYE 2020 respectively. We procured construction and building materials for our subcontractors, as well as for works that are carried out by workers under our direct supervision and management.

We also rented construction machinery and equipment for our operations in situations where we do not have sufficient machinery and equipment. This represented 0.83%, 1.19%, 1.16% and 0.88% of our purchases of input materials and services for FYE 2017, FYE 2018, FYE 2019 and FYE 2020 respectively. Some of the construction machinery and equipment that we rented from external parties included backhoe loader and cranes.

For the Financial Years Under Review, all the input materials were purchased from local suppliers and/or manufacturers.

Concrete and steel bars are the main materials used in our building construction operations. Purchases of concrete and cement materials as well as steel based materials accounted for 23.77%, 19.58%, 22.32% and 16.74% of our purchases of input materials and services for FYE 2017, FYE 2018, FYE 2019 and FYE 2020 respectively. The prices of steel bars and concrete are subject to price fluctuations as a result of demand and supply conditions in the market. As these are the two main materials used in our construction operations, the purchase prices will affect our margin to a certain extent. The average price of steel bars purchased by our Group increased by 1.72% and decreased by 14.48% in FYE 2018 and FYE 2019 respectively. The average price of concrete purchased decreased by 3.22% and 3.06% in FYE 2018 and FYE 2019 respectively. In FYE 2020, the average price of steel bars and concrete purchased by our Group increased by 7.68% and 2.16% respectively. In the event of any unfavourable fluctuations in the cost of these materials during the performance of our contracts, our overall project costs may increase. Please refer to Section 9.1.8 of this Prospectus for further details on risks of fluctuations in prices of concrete and steel bars.

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7. BUSINESS OVERVIEW (CONT'D)

7.10 INFORMATION ON MATERIAL LANDS AND BUILDINGS

7.10.1 Properties owned by our Group

As at the LPD, our Group does not own any real properties.

7.10.2 Properties rented by our Group

The details of properties rented by our Group as at the LPD are set out below:

No.	Postal Address / Type of Property	Landlord / Tenant	Description of use	Land Area / Build-up Area (sq ft)	Period of Tenancy	Rental per annum
(a)	No. 155A (1 st Floor), Jalan Jambu Air, Taman Indahpura, 81000 Kulai, Johor / 1 st floor of a double storey shoplot	Cheng Ah Kow/Haily Construction	Storage facility	3,249.89/ 2,098.62	1 September 2019 to 31 August 2021	RM13,200.00
(b)	No. 3339, Jalan Pekkelling Tanjung 27, Kawasan Perindustrian Indahpura, 81000 Kulai, Johor / Single storey detached factory with 3-storey office block annexed	Haily Holdings/Haily Construction	Head office and storage facility ⁽¹⁾	48,900/ 35,088	1 July 2018 to 30 June 2021	RM240,000.00

Note:

(1) Please refer to Section 10.1 for further details in relation to the rental of this property, which is a related party transaction entered into by our Group with our Promoter and substantial shareholder during the Financial Years Under Review and up to the LPD.

The properties rented by our Group are not in breach of any land use conditions and/or are in non-compliance with current statutory requirements, land codes or building regulations or by-laws, which will have material adverse impact on our operations as at the LPD.

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7. BUSINESS OVERVIEW (CONT'D)

7.11 MAJOR LICENSES AND PERMITS

Details of the approvals, major licenses and permits obtained by our Group as at the LPD are set out below:

Company	Issuing Authority	Licence/ Reference no.	Issue Date / Expiry Date	Description of licence/ approval	Major Conditions Imposed	Compliance Status
Haily Construction	CIDB	Registration No. 0120070622-JH114049	24 April 2019/ 20 June 2022	Certificate of Registration pursuant to Part VI of the LPIP Act in respect of: Certificate of Registration of Contractor Personnel (Grade 7) for construction works on buildings, piling, swimming pool, road and pavement construction, civil engineering construction and miscellaneous mechanical equipment	<u>General Conditions</u> This certificate is non-transferable. CIDB reserves the right to review the registration grade of the Haily Construction from time to time. <u>Responsibilities and Obligations of Haily Construction</u> (a) Haily Construction shall adhere to the provisions of the Construction Industry Development Board Act 1994 ("CIDB 1994"), regulations, restrictions and guidelines issued by the CIDB from time to time. (b) Haily Construction shall not participate in any tender or perform any construction work after the expiry of the registration certificate unless it is renewed. (c) Haily Construction shall not undertake any construction project that exceeds the value of the work construction specified under the registration grade and shall not carry out any project construction outside its registration category.	Noted and complied Noted Noted and complied Noted and complied Noted and complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing Authority	Licence/ Reference no.	Issue Date / Expiry Date	Description of licence/ approval	Major Conditions Imposed	Compliance Status
					(d) Haily Construction shall furnish information relating to the construction works or contract within 14 days after such contract was awarded or the commencement of such construction works, whichever earlier.	Noted and complied
					(e) Haily Construction shall submit any information required by the CIDB from time to time.	Noted
					(f) Haily Construction shall display the registration certificate at its place of business.	Complied
					(g) Haily Construction shall display the number of registrations at each of its construction sites.	Complied
					(h) Haily Construction shall submit the renewal application 6 months before the expiry of the registration certificate.	Noted
					(i) Haily Construction shall adhere with all the conditions in the Contractor Code of Ethics.	Noted and Complied
					(j) Haily Construction shall appoint skilled construction workers and site supervisors authorised and certified by the CIDB.	Noted and complied ⁽¹⁾
					(k) All employee of Haily Construction at the construction site must have a valid construction personnel card.	Complied

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing Authority	Licence/ Reference no.	Issue Date / Expiry Date	Description of licence/ approval	Major Conditions Imposed	Compliance Status
					<p><u>Disciplinary Actions</u></p> <p>The registration certificate shall be revoked/suspended in following events:</p> <p>(a) Haily Construction fails to comply with the requirement of any written law;</p> <p>(b) Haily Construction has been deemed bankrupt;</p> <p>(c) Haily Construction has been served a winding up petition;</p> <p>(d) Haily Construction contravenes or fails to comply with any the provisions of the CIDB 1994;</p> <p>(e) Haily Construction has obtained the registration certificate through false or fraudulent representations either in writing or otherwise;</p> <p>(f) Haily Construction has abandoned any construction works undertaken without any good reason;</p> <p>(g) Haily Construction is found negligent by the court or by any board of enquiry established under any written law in connection with any construction works undertaken; and</p>	<p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p> <p>Noted</p>

7. BUSINESS OVERVIEW (CONT'D)

Company	Issuing Authority	Licence/ Reference no.	Issue Date / Expiry Date	Description of licence/ approval	Major Conditions Imposed	Compliance Status
Haily	KMC	Account No. LTB2230276205 787	1 January 2021 / 31 December 2021	Business License	(h) Haily Construction contravenes any of the terms and conditions of the responsibilities and obligations of the contractor as specified above.	Noted
Haily Construction	KMC	Account No. LTB2230276203 305	1 January 2021 / 31 December 2021	Business License	None	-
Haily Machinery	KMC	Account No. LTB2230276203 307	1 January 2021 / 31 December 2021	Business License	None	-

Note:

(1) On 1 September 2020, Haily Construction was compounded pursuant to Section 38C of the LPIP Act with a fine of RM8,000.00 by CIDB. The fine was for failure to ensure the construction site supervisor/ skilled construction worker is accredited and certified by CIDB to carry out the construction works at PTD 158757, Mukim Tebrau, Johor Bahru, Johor on 4 March 2020 in accordance with Section 33A (6) of the LPIP Act. There is no potential legal implication as the compound has been paid (on 17 September 2020) and pursuant to Section 38C (4) of the LPIP Act, where an offence has been compounded under Section 38C (4) of the LPIP Act, no prosecution shall be instituted against Haily Construction in respect to the said offence.

As at the LPD, all our Group's skilled workers and subcontractors' skilled workers who are assigned to undertake such skilled/ specialized construction works have obtained the Skill Competency Certificate. Please refer to Section 7.24.4 of this Prospectus for more details relating to the non-compliance with Section 33(A) (6) of the LPIP Act and the steps taken by our Group to address this matter.

7. BUSINESS OVERVIEW (CONT'D)

7.12 INTELLECTUAL PROPERTY

Our Group currently holds the following trademark, which are registered under Haily Construction:

Trademark	Description	Issuing Authority	Class	Application no.	Validity Period	Place of Registration
	"Haily Group" logo	Intellectual Property Corporation Malaysia	Class 37, building construction; repair; installation services.	2017069840	11 October 2017 to 11 October 2027	Malaysia

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7. BUSINESS OVERVIEW (CONT'D)

7.13 KEY MACHINERY AND EQUIPMENT

Some of the major machinery and equipment for our building construction operations are as follows (arranged in alphabetical order):

	Number of Units	NBV as at 31 December 2020 RM'000
Machinery and equipment		
Backhoe loader	9	171
Cranes		
- <i>Mobile cranes</i>	4	(1)
- <i>Overhead crane at storage facility</i>	1	47
Concrete mixers	17	2
Electric hammers	33	3
Forklifts	2	19
Generators and related equipment	40	13
Lifting hoist	13	(1)
Pallet trucks	3	(1)
Static pump	1	159
Tractors	12	67
Other equipment and instruments		
Levelling motorised rotating laser	1	1
Measuring instruments		
- <i>Auto levelling instruments with tripods</i>	7	1
- <i>Surveying instruments – total station</i>	5	-
Sub-pumps	39	31
Welding equipment	3	(1)
Total		514

Note:

(1) Fully depreciated as at 31 December 2020.

7.14 MARKETING AND DISTRIBUTION CHANNEL

7.14.1 Marketing activities

Our sales and marketing activities are focused on leveraging from our established track record as a main contractor for building construction to sustain and grow our business. Our marketing activities will focus on the following:

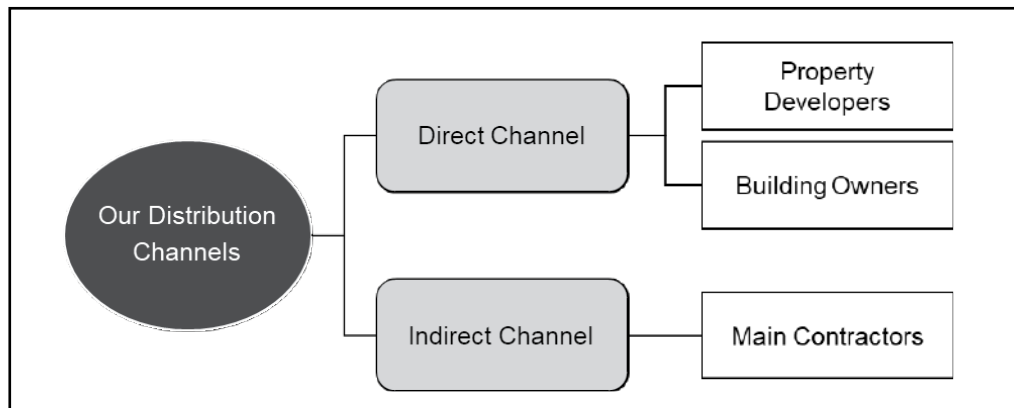
- Position and market ourselves as a main contractor supported by our track record as follows:
 - for the Financial Years Under Review, our revenues derived from main contractor building contracts amounted to more than 80% of our total revenue;
 - for the Financial Years Under Review, 14 out of a total of 18 on-going building construction contracts were for main contractor works; and

7. BUSINESS OVERVIEW (CONT'D)

- we are registered as a Grade 7 contractor with the CIDB which indicates that we have the capabilities and financial resources to undertake main contractor works.
- Position and market ourselves as a quality contractor with a track record of **timely completion** as supported by the following:
 - we have obtained recognition through several assessment systems such as SHASSIC, QCLASSIC and CONQUAS as well as awards to serve as testimonials of our quality of work. Please refer to Section 7.2 of this Prospectus for further details.
 - for the Financial Years Under Review and up to the LPD, we have not experienced any LAD, which reinforces our ability to deliver building construction projects on time.
 - for the FYE 2020, 9 out of our top 10 customers are repeat customers, thus demonstrating our customers' satisfaction with the quality of our work. In addition, the length of relationships with the Group's customers ranged from 2 years to 10 years for the FYE 2020.
- Continue to focus our sales and marketing activities in Johor supported by our established track record in Johor for approximately 13 years since we commenced our building construction business in 2008.

7.14.2 Distribution channels

We adopt both direct and indirect distribution channel strategies for our sales and marketing activities:



We mainly utilise direct distribution channel for our sales and marketing activities where we secure contracts directly from property developers and building owners as the main contractor responsible for the overall project. Our focus on using direct distribution channel targeting property developers and building owners enable us to develop stronger business relationships with entities who are the ultimate decision makers.

We also utilise indirect distribution channel where we secure building construction projects from the main contractors. We are subcontractors for this type of projects where we are still responsible for the total construction project up to the completion of building construction, with the exception of submission and obtaining the necessary approvals and permits.

7. BUSINESS OVERVIEW (CONT'D)

For the Financial Years Under Review, our revenue contributions were mainly derived from our direct distribution channel as set out below:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Direct distribution channel	113,712	93.33	163,189	93.90	130,325	82.53	136,435	82.12
- Property developers	111,280	91.34	162,722	93.63	129,818	82.21	135,718	81.69
- Building owners	2,432	1.99	467	0.27	507	0.32	717	0.43
Indirect distribution channel	8,120	6.67	10,598	6.10	27,593	17.47	29,697	17.88
Main contractors	8,089	6.64	10,588	6.09	27,592	17.47	29,697	17.88
Others ⁽²⁾	31	0.03	10	0.01	1	-(¹)	-	-
Total	121,832	100.00	173,787	100.00	157,918	100.00	166,132	100.00

Notes:

(1) Negligible

(2) This was mainly from the rental of machinery and equipment to customers who are building construction contractors.

7.15 DESIGN AND DEVELOPMENT / RESEARCH AND DEVELOPMENT

As we are mainly involved in the building construction, R&D is not relevant to our business. As such, we do not carry our R&D activities and we have not recognised any R&D expenditure for the Financial Years Under Review.

7.16 TECHNOLOGY USED

We do not employ any special technology in our business operations. We rely on the technologies embedded in the machinery and equipment that we utilise for our construction operations.

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7. BUSINESS OVERVIEW (CONT'D)

7.17 INTERRUPTIONS TO BUSINESS AND OPERATIONS

We have experienced interruptions to our business due to the imposition of MCO by the Government from 18 March 2020 till 4 May 2020 and the Full MCO 3.0 which commenced on 1 June 2021 and further extended to 28 June 2021 to curb the spread of COVID-19 pandemic in Malaysia.

Upon the resumption of full operations on 18 May 2020, we continued to operate according to guidelines and SOP during the impositions of various MCO measures including CMCO and RMCO in 2020 and up to 1 June 2021. Under the Full MCO 3.0, the construction industry was not regarded as an essential service. In this respect, all our on-site construction activities are suspended.

Covid-19 Pandemic

The World Health Organisation declared the coronavirus disease (COVID-19) a pandemic on 11 March 2020. The Government implemented several measures to reduce and control the spread of COVID-19 in the country, commencing from 18 March 2020. These measures include restrictions on the movement of people within Malaysia and internationally, and restrictions on business, economic, cultural and recreational activities. Our business operations in Malaysia were temporarily interrupted by these measures.

MCO Period

The MCO is made under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 in which (i) there is to be a general prohibition of mass movements and gatherings across the country including religious, sports, social and cultural activities; (ii) all Malaysians travelling abroad are required to undergo a health check and quarantine for 14 days upon their return; (iii) all foreigners are prohibited from entering Malaysia; (iv) all primary and secondary schools (whether private or government funded) are to be closed; (v) all higher education institution are to be closed; and (vi) all government and private premises are to be closed except those involved in essential services such as water, electricity, energy, telecommunications, postal, transportation, irrigation, oil, gas, fuel, lubricants, broadcasting, finance, banking, health, pharmacy, fire, prison, port, airport, safety, defense, cleaning, retail and food supply. Such restriction had been extended till 3 May 2020 ("MCO period").

As the construction industry was not regarded as an essential service, we encountered disruptions to our operations during the MCO period, where our on-site construction activities were suspended which subsequently, affected the progress of our on-going projects. Nevertheless, we noted that this is a temporary condition where we took steps and submitted our applications to MITI for resumption of works during the MCO period and the applications were denied. We appealed and subsequently received the approval from MITI on 27 April 2020 in respect of the 4 construction projects which achieved completion of more than 90%. The 4 construction projects were the 66 TSCH Taman Nusa Sentral Project, Indahpura Business Central (Phase 1) Project, Indahpura Business Central (Phase 2) Project and 236 DSTH Meridin East – Parcel 1H Project. We resumed construction for these projects on 18 May 2020 during the CMCO period.

As for our management and administrative staff, they took steps to continue working from home within various constraints placed by the MCO. During the MCO period, we notified our customers pertaining to the suspension of works due to the constraints we encountered during the said MCO period.

7. BUSINESS OVERVIEW (CONT'D)

CMCO Period

The MCO was uplifted and the CMCO was imposed from 4 May 2020 to 9 June 2020 (“CMCO period”), where under the CMCO, certain restrictions previously gazetted under the MCO Period were gradually eased and many economic sectors were allowed to resume operations. Since 4 May 2020, our management commenced the preparation works for the resumption of on-site operations including but not limited to arranging the compulsory COVID-19 swab tests for all our foreign construction site workers and the implementation of the standard operating procedures in accordance with the guidelines issued by MITI at all our construction sites. We then resumed operations fully since 18 May 2020 after the said preparation works were carried out.

While we experienced some reduction in our Group’s revenue during the CMCO period, the reduction was less compared to the MCO period. This was demonstrated by the fact that our construction activities improved in May 2020 during the CMCO period (where we resumed operations fully on 18 May 2020) compared to MCO period where our on-site construction activities were suspended during the MCO period. As a result of the business interruptions during the MCO between March and April 2020, our financial performance was affected due to delays and/or reduction in our billings, where our revenue decreased from RM16.25 million in February 2020 to RM4.71 million in March 2020, and further declined to RM1.99 million in April 2020. Our revenue rebound to RM5.92 million or 197% in May 2020 and improved to RM21.13 million or 257% in June 2020.

Throughout the MCO Period and CMCO Period, our Group were compiling the Skill Competency Certificate (“SCC”) (as defined in Section 7.24.4 of this Prospectus) from the sub-contractors’ skilled workers and assisting with the enrolment of such workers for the relevant training courses to procure the SCC. We are required to ensure that the construction sites supervisors/ skilled construction workers are accredited and certified by CIDB to carry out construction works at our project sites. However, due to the implementation of the MCO and CMCO, such training courses to be conducted by CIDB were deferred and as a result, there were backlogged of applications for the registration of such training courses and delay in the issuance of the SCC Certificates. Please refer to Section 7.24.4 of this Prospectus for further details in relation to the non-compliance with the Section 33A(6) of the LPIP Act and Section 9.2.4 of this Prospectus, for the risk of, among others, shortage of skilled construction workers.

RMCO Period

The CMCO was followed by the RMCO from 10 June 2020 to 31 December 2020. Starting from 10 June 2020, almost all economic sectors were allowed to resume provided they follow specified guidelines and SOP. The movement of people within Malaysia was further relaxed, although restrictions on international travel remained the same as during the CMCO period. Our business operations continued to operate according to guidelines and SOP.

The total cost incurred for preparation of works (such as medical cost for testing our staff and construction workers on our payroll, purchase of face masks and thermometers) for the resumption of on-site operations during the MCO, CMCO and RMCO periods is as below:

	Cost Incurred (RM'000)
MCO period	1
CMCO period	27
RMCO period	6
Total	34

7. BUSINESS OVERVIEW (CONT'D)

Reimposition of the MCO (“MCO 2.0”, “MCO 3.0” and “Full MCO 3.0”)

On 11 January 2021, the Government announced an imposition of the MCO 2.0 in Pulau Pinang, Selangor, Federal Territories (Kuala Lumpur, Putrajaya and Labuan), Melaka, Johor and Sabah from 13 January 2021 to 26 January 2021. On 21 January 2021, the Government announced the extension of MCO 2.0 from 26 January 2021 to 4 February 2021 for all States in Malaysia (except for Sarawak). On 2 February 2021, the Government announced that the MCO 2.0 was further extended for all States in Malaysia (except Sarawak) from 4 February 2021 to 18 February 2021. Based on the Government’s announcement on 16 February 2021, the MCO 2.0 was further extended from 19 February 2021 to 4 March 2021 for Kuala Lumpur, Pulau Pinang, Selangor and Johor.

The State of Johor, Kedah, Kelantan, Negeri Sembilan, Pulau Pinang, Perak, Sarawak, Selangor and Kuala Lumpur have been subsequently placed under the CMCO, for the period from 5 March 2021 to 18 March 2021. CMCO was extended in Johor, Kelantan, Pulau Pinang, Selangor, Kuala Lumpur, some states in Kedah and some states in Negeri Sembilan until 31 March 2021 and Sarawak until 29 March 2021. CMCO was further extended in Johor, Kelantan, Pulau Pinang, Selangor, Kuala Lumpur, some states in Kedah and some states in Negeri Sembilan for the period from 1 April 2021 to 14 April 2021 and for Sarawak for the period from 30 March 2021 to 12 April 2021. The CMCO was subsequently extended up to 28 April 2021 in Johor, Kelantan, Pulau Pinang, Selangor, Kuala Lumpur and Sarawak and further extended to 17 May 2021 in Johor, Pulau Pinang, Selangor, Kuala Lumpur, Sabah and Sarawak.

On 4 May 2021, the Government announced on the re-imposition of the MCO 3.0 in certain districts of Selangor from 6 May 2021 to 17 May 2021 and subsequently on 5 May 2021, it was further extended to Kuala Lumpur and several localities including Johor Bahru, Kulai and Kota Tinggi in Johor, Taiping, Larut Matang and Selama in Perak and parts of Terengganu’s Besut district from 7 May 2021 to 20 May 2021. On 10 May 2021, the Government announced the imposition of a nationwide MCO 3.0 from 12 May 2021 to 7 June 2021.

As the construction sector was allowed to operate during this period, we continued to operate according to guidelines and SOP.

On 28 May 2021, the Government announced the imposition of a three-phase nationwide lockdown (Full MCO 3.0). The three-phase nationwide lockdown started with a full lockdown from 1 June 2021 to 14 June 2021, and further extended to 28 June 2021, where all sectors were not allowed to operate during this period except for those in the essential economic and service sectors. Other control measures implemented included restrictions on the movement of people within Malaysia and internationally, and restrictions of business, economic, cultural, and recreational activities.

The second phase will be implemented if the first phase succeeds in reducing the number of daily COVID-19 cases, which will allow the reopening of some economic sectors that do not involve large gatherings of people and where physical distancing can be maintained. The second phase will last for four weeks after the first phase has ended. This will be followed by the third phase where nearly all economic sectors will be allowed to operate subject to strict SOP and restrictions on the number of people allowed to be physically present at workplaces.

Under the Full MCO 3.0, the construction industry was not regarded as an essential service. In this respect, all our on-site construction activities are suspended. Nevertheless, we noted that this is a temporary condition and we have on 2 June 2021 submitted our application to MITI for resumption of works which is still pending approval as at the LPD. Any decision from MITI will be issued via announcement(s) on Bursa Securities.

Emergency Proclamation

A proclamation of emergency has been issued by his Majesty Yang Maha Mulia Seri Paduka Baginda Yang di-Pertuan Agong Al-Sultan Abdullah Ri’ayatuddin Al-Mustafa Billah Shah Ibni Almarhum Sultan Haji Ahmad Shah Al-Musta’in Billah (“Yang di-Pertuan Agong”) in accordance with Article 150(1) of the Federal Constitution with effect from 11 January 2021.

7. BUSINESS OVERVIEW (CONT'D)

The proclamation of emergency was issued due to the increase in COVID-19 cases which became a major threat to the security, economic life and public order of Malaysia pursuant to the Emergency (Essential Powers) Ordinance 2021 ("Ordinance") promulgated under Clause (2B) of Article 150 of the Federal Constitution. The Yang di-Pertuan Agong decreed that the emergency be in force up to 1 August 2021 or earlier if the number of COVID-19 cases can be effectively controlled and reduced.

The Ordinance provides for the establishment of an independent special committee to advise the Yang di-Pertuan Agong on the development related to COVID-19 pandemic. The members of the independent special committee shall be appointed by the Yang di-Pertuan Agong.

(a) Impact on our business operations

As our projects were delayed due to the COVID-19 pandemic that resulted in the suspension and slowdown of work during the MCO and CMCO periods, we have sought extension of time for the following projects:

Project name	Project status (completed/ on-going)	Contracted Completion Date	Extended completion date (approved/ pending EOT)	Approximate Percentage of Completion as at 10 June 2021 (%)	Remaining Contract Value as at 10 June 2021 (RM million)
Residential projects					
264 DSTH Bandar Jaya Putra Project	On-going	June 2021	August 2021 (approved)	92%	3.83
236 DSTH Meridin East – Parcel 1H Project	Completed	June 2020	<ul style="list-style-type: none"> 1st EOT until November 2020 (approved which has lapsed) March 2021 (approved) 	100%	-
185 DSTH Meridin East – Parcel 1I Project	On-going	April 2021	July 2021 (approved)	73%	9.41
164 DSTH Meridin East – Parcel 1F2 Project	On-going	September 2020	<ul style="list-style-type: none"> April 2021 (approved) Further EOT until June 2021 (approved) 	92%	2.33
128 DSTH Taman Impian Emas Project	On-going	November 2020	<ul style="list-style-type: none"> 1st EOT until February 2021 (approved which has lapsed) 2nd EOT until March 2021 (approved which has lapsed) 	92%	2.06

7. BUSINESS OVERVIEW (CONT'D)

Project name	Project status (completed/ on-going)	Contracted Completion Date	Extended completion date (approved/ pending EOT)	Approximate Percentage of Completion as at 10 June 2021 (%)	Remaining Contract Value as at 10 June 2021 (RM million)
			<ul style="list-style-type: none"> 3rd EOT until June 2021 (approved) Further EOT until July 2021 (pending approval) 		
66 TSCH Taman Nusa Sentral Project	Completed	June 2020	October 2020 (approved)	100%	-
93 DSTH St Marco Park (Phase 1) Project	Completed	May 2020	<ul style="list-style-type: none"> 1st EOT up to September 2020 (approved which has lapsed) Further EOT until November 2020 (approved) ⁽¹⁾ 	100%	-
30 TSSD Taman Nusa Sentral Project	On-going	February 2021	<ul style="list-style-type: none"> 1st EOT until May 2021 (approved) Further EOT until February 2022 (approved) 	86%	2.56
Taman Ungku Tun Aminah – Zone 13 Project	On-going	December 2020	<ul style="list-style-type: none"> 1st EOT until March 2021 (approved) Further EOT until September 2021 (approved) 	92%	1.39
120 SSTH Bandar Putra Project	On-going	May 2021	July 2021 (approved)	89%	1.51
30 SSSD Taman Ungku Tun Aminah – Zone 9 Project	On-going	February 2021	<ul style="list-style-type: none"> 1st EOT until April 2021 (approved) Further EOT until October 2021 (approved) 	82%	1.45
Aurora Sentral Show House Project	Completed	October 2020	December 2020 (approved) ⁽³⁾	100%	-

7. BUSINESS OVERVIEW (CONT'D)

Project name	Project status (completed/ on-going)	Contracted Completion Date	Extended completion date (approved/ pending EOT)	Approximate Percentage of Completion as at 10 June 2021 (%)	Remaining Contract Value as at 10 June 2021 (RM million)
Non-residential projects					
Indahpura Business Central (Phase 1) Project	Completed	July 2020	<ul style="list-style-type: none"> 1st EOT until October 2020 (approved which has lapsed) Further EOT until November 2020 (approved) ⁽²⁾ 	100%	-
Indahpura Business Central (Phase 2) Project	Completed	June 2020	<ul style="list-style-type: none"> 1st EOT until September 2020 (approved which has lapsed) 2nd EOT until November 2020 which has lapsed (approved which has lapsed) 3rd EOT until January 2021 (approved which has lapsed) 4th EOT until March 2021 (approved which has lapsed) Further EOT until April 2021 (approved) ⁽⁴⁾ 	100%	-

Notes:

- (1) As stated in Section 7.5.9.1, the 93 DSTH St Marco Park (Phase 1) Project obtained the CPC on 24 November 2020.
- (2) As stated in Section 7.5.9.1, the Indahpura Business Central (Phase 1) Project obtained the CPC on 19 November 2020.
- (3) As stated in Section 7.5.9.1, the Aurora Sentral Show House Project obtained the CPC on 31 December 2020.
- (4) As stated in Section 7.5.9.1, the Indahpura Business Central (Phase 2) Project obtained the CPC on 12 April 2021.

7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, we have received written confirmations for EOT for all 13 out of 14 of our completed and on-going building construction projects from our customers or architects for the EOT for our completed and on-going contracts that have been delayed by the work stoppages and slowdown during the MCO and CMCO periods. The remaining 1 on-going building construction project is still pending approval of EOT.

In addition, there is an on-going civil engineering project where the expected completion is subject to the completion of 30 TSSD Taman Nusa Sentral Project as the area for the guardhouse and perimeter fencing is still being used as access road to the construction site.

In the event the request for EOT is rejected by our customers, we may be subject to potential LAD claims based on the terms of the letters of award. As at the LPD, our maximum exposure with regards to the LAD is RM0.45 million. Please refer to Section 9.1.4 of this Prospectus for further details on the potential risk exposure of the LAD.

As at the LPD, our supply chain is to a certain extent affected as certain suppliers of building materials such as trading companies were not able to operate, while others such as manufacturers of concrete and steel products were operating during the Full MCO 3.0. Nevertheless, this situation is expected to be temporary as the suppliers have submitted or are in the midst of submitting their applications to the relevant authorities for approval to resume operations. Pursuant to the Full MCO 3.0, our on-site construction activities are suspended. This may result in delays for our on-going projects, and we will seek extension of time for our projects.

(b) Impact on our financial performance including cash flow, liquidity and financial position

Our financial performance was affected by the MCO due to delays in billings because of the temporary suspension of on-site construction activities. Nevertheless, we continued to have minimal billings based on works that were completed prior to the MCO. As a result of the business interruptions during the MCO between March and April 2020, our financial performance was affected due to delays and/or reduction in our billings, where our revenue decreased from RM16.25 million in February 2020 to RM4.71 million in March 2020, and further declined to RM1.99 million in April 2020.

During the MCO period, we continued to incur costs including staff cost, depreciation expenses, finance cost and other administrative expenses, which amounted to RM0.94 million and RM1.26 million in March and April 2020 respectively. We also incurred medical cost for testing our staff and construction workers on our payroll and other related cost which amounted to approximately RM34,000. We do not expect the medical and other related costs incurred to have material adverse effects on our financial performance. Despite that we have resumed operations fully since 18 May 2020, our Group's financial performance for the FYE 2020 was affected due to the impact of MCO and COVID-19 outbreak as revenue, billings and payments received until 30 June 2020 were reportedly lower than they would have been in the absence of MCO and COVID-19. Nevertheless, our Group did not experience shortages of construction materials nor labour when we resumed operations on 18 May 2020.

As at 31 December 2020, we have cash and cash equivalent of RM21.32 million and undrawn banking facilities of RM50.36 million. Our working capital will be sufficient for our operating expenditure and will sustain our business, after taking into consideration our cash and bank balances, and banking facilities available to our Group.

As at the LPD, we have not received any notification from the banks for cancellation or reduction in banking facility limits granted to us by the financial institutions. We do not expect any difficulties in meeting our debt repayment obligations during the next 12 months. We do not anticipate any material impairment to our assets and receivables.

With the suspension of on-site construction activities during the first phase of the Full MCO 3.0 from 1 June 2021 to 14 June 2021 which was further extended to 28 June 2021, our Board is of the view that this will affect the progress of our on-going projects. While we will request for extension of time for completion of projects, this may result in delays in our billings and would materially affect our financial performance for FYE 2021.

7. BUSINESS OVERVIEW (CONT'D)

Save as disclosed above, we do not expect any material adverse effects to our cash flow, liquidity, financial position and financial performance from the impact of COVID-19.

(c) Measures and steps taken by our Group in response to COVID-19 pandemic

Since the resumption of business operations and up to the LPD, we have adhered to the SOP specified by the relevant authorities. This included the following:

- All staff and visitors at the head office are required to pass temperature checks and the results recorded, provide their contact information, wear face masks and practice social distancing.
- All staff reporting for work at construction sites must pass temperature checks and the results recorded, provide their contact information, wear a face covering at all times and maintain social distancing whenever possible at the site.

If any of our employees or our subcontractor's workers are infected with COVID-19 or any contagious or virulent diseases, we may be required to temporarily shut down the affected site operations or Head Office for the time required to conduct cleaning and disinfection⁽¹⁾ as may be advised by the Ministry of Health, Malaysia. In the event any of our employees or our subcontractor's workers are infected from the project site, all our employees would have to undergo COVID-19 swab test. In the event of any infected case at the project site, we as the employer will need to bear all the cost associated with the swab test and quarantine cost of our employees as well as cost of sanitisation and disinfection works at the affected project site. As at the LPD and save as below, none of our employees or our subcontractor's workers assigned to our projects are infected with COVID-19.

Key senior management tested positive for COVID-19

On 3 January 2021, one of our key senior management was tested positive for COVID-19. The said key senior management was asymptomatic and was under home quarantine from 3 January 2021 until 12 January 2021. He subsequently took a second COVID-19 test on 11 January 2021 and was tested negative. Pursuant to this incident, the following have been carried out:

- Head Office was closed from 4 January 2021 for thorough cleaning and disinfection;
- All employees of the Head Office and close contacts⁽²⁾ were required to carry out the COVID-19 swab test on 4 January 2021. The result of all of the employees and close contacts that tested were confirmed negative for COVID-19. The cost of all the swab amounted to RM0.015 million; and
- All employees from the Head Office started to work from home since 4 January 2021 until 10 January 2021. Our Head Office resumed operations on the 11 January 2021 based on split team work arrangement. Following the imposition of MCO 2.0, we continued to operate according to the SOP issued by MITI on the 12 January 2021.

During the home quarantine period of this key senior management personnel, he continued to work from home and our CEO/ Executive Director, Yoong Woei Yeh was temporarily overseeing the day-to-day site management operations between 4 January 2021 and 14 January 2021. There was no material disruption to our business operations, and on-site construction works were not affected.

Subcontractors' foreign workers tested positive for COVID-19 at a project site

Between 28 January 2021 and 4 February 2021, we carried out a COVID-19 screening exercise for all foreign and local workers including subcontractors' workers at all our on-going project sites. We paid for all the COVID-19 tests and the total cost amounted to RM0.05 million.

5 of our subcontractor's foreign workers were tested positive at one of our project sites. As such, we have carried out the following measures to prevent the spread of COVID-19:

7. BUSINESS OVERVIEW (CONT'D)

- The 5 infected foreign workers were isolated from the rest of the foreign workers and placed under quarantine in the designated quarantine rooms at the project site for 14 days, based on the recommendation by the District Health Office. Upon issuance of clearance letter by the District Health Office, they were allowed to return to work after 14 days of quarantine;
- We conducted contact tracing and identified a total of 15 close contacts⁽²⁾ of the 5 affected workers. All of these close contacts were placed under self-quarantine for 14 days and only allowed to return to the site after 14 days of quarantine. In addition, these 15 foreign workers also underwent COVID-19 tests and were confirmed negative for COVID-19 before returning to work; and
- Based on the test results, the remaining foreign and local workers including subcontractors' workers who were confirmed negative for COVID-19 and not identified as close contacts were allowed to continue to work at the project site.

Notwithstanding the above, in general, we carry out regular sanitisation and cleaning at our sites on a daily basis.

Notes:

- (1) *There is no requirement for any workplace to be closed for 14 days (Source: Annexure 25 of the COVID-19 Management Guidelines in Malaysia No.5/2020, Ministry of Health Malaysia updated 1 November 2020).*
- (2) *Close contact to person with confirmed COVID-19.*

(d) Impact on our Business and Earning Prospects

Our business was affected from the impacts of COVID-19 pandemic due to the temporary suspension and slowdown of works during the nationwide MCO and CMCO periods. With the implementation of the Full MCO 3.0 commencing on 1 June 2021, this may have similar implications to the Group for the FYE 2021.

The COVID-19 pandemic has affected Malaysia's economy including reducing or delaying the demand in the building construction industry. In 2020, the real GDP of Malaysia declined by 5.6% with low growth of 0.9% in the first quarter (Q1) but declined by 17.0% in the second quarter (Q2) due to broad-based weakness in exports production and domestic demand resulting from the introduction of containment measures to curb the rise in COVID-19 cases. In 2020, the real GDP of the construction industry declined by 19.4% reflecting reduced work capacity in compliance to containment measures, labour shortages due to international border closures, supply chain disruptions and site shutdowns following the COVID-19 pandemic. The construction industry experienced a decline of 7.9% and 44.5% in the Q1 and Q2 of 2020 as compared to the corresponding periods in 2019. The decline resulted from the suspension of almost all construction works in March and April 2020.

Nevertheless, we are of the view that the COVID-19 pandemic will not have a material adverse impact on our prospects in Malaysia in the long run. This view takes into consideration the gradual recovery of Malaysia's economy in the second half (H2) of 2020 as the economy was re-opened, and economic and social activities partially resumed. In addition, several stimulus packages were also introduced by the government to mitigate the adverse economic impact and to support the recovery of the economy. Similarly, the construction industry also improved in the H2 2020 given better clarity and compliance with operating guidelines, more pervasive COVID-19 testing on workers and extended hours for construction activity. In addition, the rollout of stimulus packages supported many small-scale projects and spurred growth in the special trade subsector in H2 2020. Activities in the non-residential and residential sectors benefitted from new housing projects and ramp-up in progress of projects due for completion in the H2 2020, while the civil engineering subsector was supported by continued progress in large infrastructure projects. According to Economic and Monetary Review 2020 published by BNM on 31 March 2021, Malaysia's economy is expected to grow within a range of 6.0% to 7.5% while the construction industry is expected to grow by 13.4% in 2021.

7. BUSINESS OVERVIEW (CONT'D)

This will be supported by growth factors including large public projects such as MRT, and high multiplier smaller projects, as well as recovery on commodity production. Some of the construction related activities that is expected to contribute to the improvement in Malaysia's economy includes the continuation of large-scale infrastructure projects. In addition, this will be supported by the Malaysian Government's various economic stimulus packages including the wage subsidy programme under the economic stimulus packages is aimed at providing financial assistance to businesses impacted by the COVID-19. Please refer to Section 7 of the IMR Report for further details on the large-scale infrastructure projects and economic stimulus packages. As at the LPD, we received subsidy amounting to RM0.26 million under the PRIHATIN wage subsidy programme.

As at 10 June 2021, our order book was RM249.58 million based on total unbilled contract value of our on-going construction projects, which is expected to be recognised in FYE 2021 and up to FYE 2023. As stated in Section 7.3.2 of this Prospectus, we continued to secure new building construction projects in 2021, including 3 residential building construction project namely, the 122 DSTH Bandar Putra Project, 217 DSTH Taman Mutiara Maju Project and 206 DSTH Gelang Patah Project, and 3 new non-residential building construction projects, namely the 147 DSTV Aurora Sentral Project, Aurora Sentral Clubhouse Project and SJK (C) Sim Mow Yu Project.

We do not expect any material changes in our business model where our strategy is to continue to focus on building construction. Please refers to Section 12.8 and Section 7.23 of this Prospectus for further details on our order book and our business strategies and plans.

The Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) Act 2020 ("COVID-19 Act") has been gazetted on 23 October 2020. This COVID-19 Act seeks to offer temporary relief to businesses and individuals who are unable to perform their contractual obligations due to COVID-19. Section 7 of the COVID-19 Act provides that the inability of any parties to perform any contractual obligations arising from the contracts specified in the schedule under the COVID-19 Act including, construction work contract, shall not give rise to the other party or parties exercising his or their rights under the contract. Furthermore, the COVID-19 Act encourages parties to settle their disputes by way of mediation, in respect of any inability of any party or parties to perform any contractual obligations arising from any categories of contracts as specified in the COVID-19 Act. Hence, in the event we were to encounter any such dispute, we will attempt and proceed to settle the dispute by way of mediation with the relevant parties to such contracts as specified in the COVID-19 Act.

The COVID-19 Act (Extension of Operation) Order 2020 further extended the date of operation for inability to perform contractual obligations from 1 January 2021 to 31 March 2021 and further extended for a period from 1 April 2021 to 30 June 2021 pursuant to the Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) (Extension of Operation) Order 2021. As such, any disputes in respect of any inability to perform any contractual obligations with or by our customers, suppliers, sub-contractors arising from construction related matters from 18 March 2020 to 30 June 2021 may be settled by mediation. However, in the event there is failure on any parties to the mediation to agree to the terms of the settlement agreement at the conclusion of any mediation, our Group may pursue the matter in the courts. Similarly, if there is any action filed against us by our customers, suppliers or sub-contracts, as the case may be, we may defend the matter in court. As at the LPD, we do not have any cases settled or to be settled in accordance with the COVID-19 Act.

Please refer to Sections 9.2.3 and Section 12.4(ii) of the Prospectus for further disclosures relating to the COVID-19 Act and its impact on the business and operations of our Group.

7. BUSINESS OVERVIEW (CONT'D)**7.18 MAJOR CUSTOMERS**

Our top 5 major customers for FYE 2017, FYE 2018, FYE 2019 and FYE 2020 are as follows:

FYE 2017

Major Customers	Projects	Length of relationship as at 31 December 2017 (year)	Revenue Contribution	
			RM'000	%
Venice View Development Sdn Bhd	<ul style="list-style-type: none"> • Project Plentong High Rise Phase 1; and • Project Plentong High Rise Phase 2 	8	78,738	64.63
Meridin East Sdn Bhd	<ul style="list-style-type: none"> • 116 DTSH Meridin East – Parcel 1E Project; • 90 DSTH Meridin East – Parcel 1D Project; • Meridin East Show House Project; and • Meridin East Sales Gallery Project 	3	20,957	17.20
Juragan Jaya Sdn Bhd	3 SSF Taman Perindustrian Maju Cemerlang Project	1	5,644	4.63
IJM Properties Sdn Bhd	182 DSTH Taman Austin Duta Project	<1	4,650	3.82
Mah Sing Properties Sdn Bhd	Austin V Square Project	8	3,926	3.22
Sub-total			113,915	93.50
Total Group revenue			121,832	

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7. BUSINESS OVERVIEW (CONT'D)**FYE 2018**

Major Customers	Projects	Length of relationship as at 31 December 2018 (year)	Revenue Contribution	
			RM'000	%
Venice View Development Sdn Bhd	<ul style="list-style-type: none"> Project Plentong High Rise Phase 1; and Project Plentong High Rise Phase 2 	9	70,203	40.40
Country View Resources Sdn Bhd	<ul style="list-style-type: none"> 39 TSSL Taman Nusa Sentral Project; 35 TSSL Taman Nusa Sentral Project; 143 RMMJ Taman Nusa Sentral Project; 66 TSCH Taman Nusa Sentral Project; and 66 PKJ Taman Nusa Sentral Project 	7	29,765	17.13
IJM Properties Sdn Bhd	182 DSTH Taman Austin Duta Project	1	20,776	11.95
Meridin East Sdn Bhd	<ul style="list-style-type: none"> 90 DSTH Meridin East – Parcel 1D Project; 116 DTSH Meridin East – Parcel 1E Project; Meridin East Sales Gallery Project Meridin East Show House – Parcel 1H Project; 236 DSTH Meridin East – Parcel 1H Project; and Meridin East Show House Project 	4	16,174	9.31
Talam Hijau Sdn Bhd	70 DSSD Taman Impiana Project	1	12,536	7.21
Sub-total			149,454	86.00
Total Group revenue			173,787	

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7. BUSINESS OVERVIEW (CONT'D)**FYE 2019**

Major Customers	Projects	Length of relationship as at 31 December 2019 (year)	Revenue Contribution	
			RM'000	%
Meridin East Sdn Bhd	<ul style="list-style-type: none"> • 236 DSTH Meridin East – Parcel 1H Project; • 164 DSTH Meridin East – Parcel 1F2 Project; • 90 DSTH Meridin East – Parcel 1D Project; • Meridin East Show House – Parcel 1A Project; • 116 DTSH Meridin East – Parcel 1E Project; and • Meridin East Show House – Parcel 1H Project 	5	39,671	25.12
Country View Resources Sdn Bhd	<ul style="list-style-type: none"> • 66 TSCH Taman Nusa Sentral Project; • 143 RMMJ Taman Nusa Sentral Project; • 39 TSSL Taman Nusa Sentral Project; • 66 PKJ Taman Nusa Sentral Project; • 35 TSSL Taman Nusa Sentral Project; • 30 TSSD Taman Nusa Sentral Project; and • Taman Nusa Sentral – Guardhouse and perimeter fencing Project 	8	38,321	24.27
Pembinaan Intra Vista Sdn Bhd	<ul style="list-style-type: none"> • 93 DSTH St Marco Park (Phase 1) Project; and • 174 DSTH St Marco Park (Phase 2) Project 	<1	21,062	13.34
Venice View Development Sdn Bhd	<ul style="list-style-type: none"> • Project Plentong High Rise Phase 1; and • Project Plentong High Rise Phase 2 	10	13,620	8.62
Tek Land Sdn Bhd	<ul style="list-style-type: none"> • Indahpura Business Central (Phase 1) Project; and • Indahpura Business Central (Phase 2) Project 	2	12,806	8.11
Sub-total			125,480	79.46
Total Group revenue			157,918	

7. BUSINESS OVERVIEW (CONT'D)**FYE 2020**

Major Customers	Projects	Length of relationship as at 31 December 2020 (year)	Revenue Contribution	
			RM'000	%
Meridin East Sdn Bhd	<ul style="list-style-type: none"> • 164 DSTH Meridin East – Parcel 1F2 Project; • 236 DSTH Meridin East – Parcel 1H Project; • 185 DSTH Meridin East – Parcel 1I Project; and • Meridin East Show House – Parcel 1A Project 	6	42,788	25.76
Austin Senibong Development Sdn Bhd	<ul style="list-style-type: none"> • 264 DSTH Bandar Jaya Putra Project; and • Bandar Jaya Putra Project 	2	36,800	22.15
Danau Homes Sdn Bhd	<ul style="list-style-type: none"> • Taman Ungku Tun Aminah – Zone 13 Project; • 30 SSSD Taman Ungku Tun Aminah – Zone 9 Project; and • 30 SSSD Taman Ungku Tun Aminah – Zone 11D Project 	10	18,848	11.35
Gunung Impian Development Sdn Bhd	<ul style="list-style-type: none"> • 128 DSTH Taman Impian Emas Project 	2	17,320	10.42
Country View Resources Sdn Bhd	<ul style="list-style-type: none"> • 30 TSSD Taman Nusa Sentral Project; • 66 TSCH Taman Nusa Sentral Project; • Aurora Sentral Show House Project; • 143 RMMJ Taman Nusa Sentral Project; • 66 PKJ Taman Nusa Sentral Project; and • Taman Nusa Sentral – Guardhouse and perimeter fencing Project 	9	16,571	9.97
Sub-total			132,327	79.65
Total Group revenue			166,132	

7. BUSINESS OVERVIEW (CONT'D)

During the Financial Years Under Review, we were dependent on Mah Sing Group Berhad by virtue of the revenue contribution from its subsidiaries including Venice View Development Sdn Bhd, Meridin East Sdn Bhd and Mah Sing Properties Sdn Bhd as follows:

	FYE 2017		FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Mah Sing Group Berhad	103,620	85.05	86,069	49.53	53,339	33.78	44,852	27.00

However, revenue contribution from Mah Sing Group Berhad collectively has been on a declining trend from 85.05% in FYE 2017 to 49.53% in FYE 2018 to 33.78% in FYE 2019 to 27.00% in FYE 2020.

Moving forward and based on our order book, 75.13% of our total unbilled contract value as at 10 June 2021 is expected to be derived from the following 4 major customers, details are as follows:

Major Customers	Projects	Expected completion date	% unbilled contract value as at 10 June 2021
Country View Resources Sdn Bhd	• 30 TSSD Taman Nusa Sentral Project	February 2022	21.74
	• 147 DSTV Aurora Sentral Project	End of 2022	
	• Aurora Sentral Clubhouse Project	End of 2022	
	• Taman Nusa Sentral – Guardhouse and perimeter fencing Project	February 2022	
Mandy Corporation Sdn Bhd	• 206 DSTH Gelang Patah Project	January 2023	20.62
Danau Homes Sdn Bhd	• Taman Ungku Tun Aminah – Zone 13 Project	September 2021	16.40
	• 30 SSSD Taman Ungku Tun Aminah – Zone 9 Project	October 2021	
	• 217 DSTH Taman Mutiara Maju Project	October 2022	
Austin Senibong Development Sdn Bhd	• 264 DSTH Bandar Jaya Putra Project	August 2021	16.37
	• Bandar Jaya Putra Project	July 2022	
			75.13

7. BUSINESS OVERVIEW (CONT'D)**7.19 MAJOR SUPPLIERS**

Our top 5 major suppliers comprising the suppliers for the construction material and the subcontractors for FYE 2017, FYE 2018, FYE 2019 and FYE 2020 are as follows:

FYE 2017

Major Suppliers	Principal Activities of Major Suppliers ⁽¹⁾	Length of relationship as at 31 December 2017 (year)	Value of purchases	
			RM'000	%
Fortis Star Sdn Bhd	Manufacturing and trading of basic building materials	1	5,759	6.18
South Johor Steel Sdn Bhd	Processing, dealing, trading and recycling of scrap metals, steel bar and other related products	7	4,487	4.82
SECM Sdn Bhd	Engaged in mechanical and electrical engineering contract works	3	3,633	3.90
Mah Sing Trading Sdn Bhd	Trading of building materials, marketing and trading of gloves and other related healthcare products and investment holding	2	3,134	3.37
Qualibuild Sdn Bhd	General contractors and investment property	8	2,732	2.93
Sub-total			19,745	21.20
Total Group purchases			93,148	

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7. BUSINESS OVERVIEW (CONT'D)**FYE 2018**

Major Suppliers	Principal Activities of Major Suppliers⁽¹⁾	Length of relationship as at 31 December 2018 (year)	Value of purchases	
			RM'000	%
Seng Hiap Glass Sdn Bhd	Manufacturing and dealing in glass and other related products	5	7,486	5.14
SECM Sdn Bhd	Engaged in mechanical and electrical engineering contract works	4	6,669	4.57
Tiew & Goh Construction Sdn Bhd	Property development and building construction	1	5,765	3.95
MT Metal Sdn Bhd	Fabricators, installers, maintainers, repairers of structures and dealers in metal products	4	5,602	3.84
Zoom Steel (JB) Sdn Bhd	Trading in iron bar and all of steel and iron works	10	4,034	2.77
Sub-total			29,556	20.27
Total Group purchases			145,828	

FYE 2019

Major Suppliers	Principal Activities of Major Suppliers⁽¹⁾	Length of relationship as at 31 December 2019 (year)	Value of purchases	
			RM'000	%
Zoom Steel (JB) Sdn Bhd	Trading in iron bar and all of steel and iron works	11	6,734	5.24
Weiyong Construction Sdn Bhd	General contractor	4	5,806	4.52
Rong Mah (J) Sdn Bhd	Distributors and suppliers of building materials	8	4,760	3.71
Biao Construction Sdn Bhd	Builders and contractors for construction works	5	3,626	2.82
Tiew & Goh Construction Sdn Bhd	Property development and building construction	2	3,614	2.81
Sub-total			24,540	19.10
Total Group purchases			128,461	

7. BUSINESS OVERVIEW (CONT'D)**FYE 2020**

Major Suppliers	Principal Activities of Major Suppliers⁽¹⁾	Length of relationship as at 31 December 2020 (year)	Value of purchases	
			RM'000	%
Weiyong Construction Sdn Bhd	General contractor	5	6,685	5.04
HSS Construction Sdn Bhd	Real Estate activities with own or leased property, provision of human resources for client businesses, and construction of buildings	1	3,960	2.98
Seng Hiap Glass Sdn Bhd	Manufacturing and dealing in glass and other related products	7	3,903	2.94
South Johor Steel Sdn Bhd	Processing, dealing, trading and recycling of scrap metals, steel bar and other related products	10	3,675	2.77
Durable Holdings Sdn Bhd	Manufacturers and dealer in all kind of building and construction materials	3	3,582	2.70
Sub-total			21,805	16.43
Total Group purchases			132,746	

Note:

(1) Based on the company profile searches extracted from CCM.

We are not dependent on any suppliers as no suppliers represented more than 10% of our total purchases of materials and services for the Financial Years under Review. In addition, the materials and subcontracted services are widely available and we source these materials and services from local suppliers.

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7. BUSINESS OVERVIEW (CONT'D)

7.20 EMPLOYEES

As at the LPD, our Group has a total workforce of 105 local employees and 237 foreign employees.

None of our employees belong to any trade unions and there has been no industrial dispute since we commenced operations.

A summary of the Group's total workforce by job functions as at the LPD are as set out below.

Categories	Number of Employees		Total Employees (As at LPD)
	Local Employees	Foreign Employees	
Management	19	-	19
Administration	30	-	30
Technical	18	-	18
Construction			
- Site Supervisors/ safety officer/ lorry driver	27	2	29
- Construction workers	11	235	246

As at the LPD, our Group had 237 foreign employees which comprises 235 construction workers and 2 site supervisors. There is a total of 16 foreign employees, whose permit have newly expired and are in the midst of renewal. Foreign employees whom are pending the renewed working permit will not be working and/or carrying out any work at the sites of the Group.

As at the LPD, our Group is not in breach of any immigration laws.

7.21 GOVERNMENT LAWS AND REGULATIONS

7.21.1 Government laws and regulations

Our Group's business operations are subject to the following governing laws and regulations:

- (i) the LPIP 1994 which sets out the requirements for registration as a contractor with CIDB;
- (ii) the Construction Industry Payment and Adjudication Act 2012 which facilitates regular and timely payment, provides a mechanism for speedy dispute resolution through adjudication, to provide remedies for the recovery of payment in construction industry and to provide for connected and incidental matters;
- (iii) the Local Government Act 1976, Licensing of Trades, Businesses, Industries and Professions (Majlis Daerah Kulai) By-laws 1982 and Advertisement (Majlis Daerah Kulai) By-laws 1982;
- (iv) the Factories and Machinery Act 1967 and Factory and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 sets out the requirement for registration and inspection of machineries;
- (v) the Factory and Machinery (Building Operations and Works and Engineering Construction) (Safety) Regulations 1986 provides the regulation for building operations and works of engineering construction;

7. BUSINESS OVERVIEW (CONT'D)

- (vi) the Road Transport Act 1987 sets out the provision for the regulation for motor vehicles and traffic on roads and other matters with respect to roads and vehicles thereon;
- (vii) the Occupational Safety and Health Act 1994 provides a regulatory framework to promote standards for safety and health at work;
- (viii) the Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004 (“DOSH Regulations 2004”) sets out the requirement on the method, procedure and process of notification of accident, dangerous occurrence, occupational poisoning and occupational disease;
- (ix) the Employment Act 1955 governing employment laws in Peninsular Malaysia;
- (x) the Employees Provident Fund Act 1991 provide for the law relating to a scheme of savings for employees’ retirement and the management of the savings for the retirement purposes;
- (xi) the Employees’ Social Security Act 1969 and Employee Social Security General Rules 1971 are enacted for the purpose of providing financial assistance and medical treatment to employees;
- (xii) the Employment Insurance System Act 2017 is enacted for the purpose of providing benefits and re-employment placement programme for insured person in the event of loss of employment;
- (xiii) the Employment (Restriction) Act 1968 and Immigration Act 1959 which generally sets out the restriction of employment of non-citizen and the registration of such non-citizens;
- (xiv) the Income Tax Act 1967 and the prevailing taxation regulations and policies in Malaysia;
- (xv) the Workmen’s Compensation Act 1952 is enacted for the purpose of providing compensation to injured employees during their course of employment;
- (xvi) the Environmental Quality Act 1974 which regulates the prevention, abatement, control of pollution and enhancement of the environment; and
- (xvii) the National Land Code 1965 governing the administration of land matters in Peninsular Malaysia.

As at the LPD and save as disclosed under Section 7.24 below, our Group is not in breach of laws and regulations governing our business that may have a material adverse impact on our business operations.

7.21.2 Environmental issue

As at the LPD, there is no environmental issue which may materially affect our Group’s business operations.

7.21.3 Exchange controls

There are no government law, decree, regulation or other requirement which may affect the repatriation of capital and remittance profit by or to our Group.

7. BUSINESS OVERVIEW (CONT'D)

7.22 MATERIAL INVESTMENTS AND DIVESTITURES

Save as disclosed below, our Group has not incurred any other material capital expenditure for the Financial Years Under Review up to the LPD.

Capital Expenditure	FYE 2017		FYE 2018		FYE 2019		FYE 2020		1 January 2021 up to LPD	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Plant and machinery	-	-	-	-	96	6.13	63	3.69	-	-
Furniture and fittings	-	-	186	15.35	78	4.99	24	1.41	131	95.62
Motor vehicles	742	72.25	543	44.80	172	10.99	303	17.75	-	-
Right-of-use assets	-	-	-	-	1,107	70.73	1,158	67.84	-	-
Investment properties	231	22.49	263	21.70	-	-	-	-	-	-
Others – comprise office equipment and computers	54	5.26	220	18.15	112	7.16	159	9.31	6	4.38
Total	1,027	100.00	1,212	100.00	1,565	100.00	1,707	100.00	137	100.00

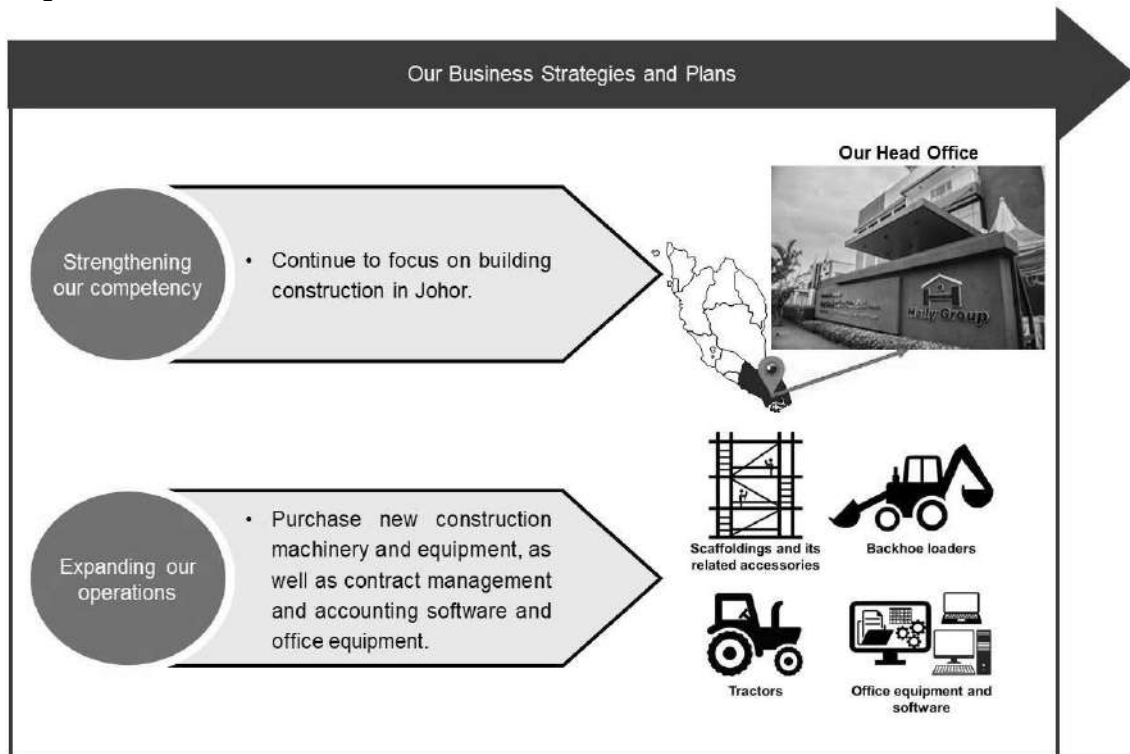
Save for the disposal of investment properties, namely 5 condominium units (which were acquired in 2016) to Haily Holdings in the FYE 2019, we did not incur any material divestitures for the past 4 financial years and period under review up to LPD. Please refer to Section 10.1 of this Prospectus for further information of this disposal.

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7. BUSINESS OVERVIEW (CONT'D)

7.23 OUR BUSINESS STRATEGIES AND PLANS

Moving forward, we will continue to leverage from our core competency in building construction to sustain and grow our business. Our business strategies and plans are as depicted in the diagram below.



7.23.1 Continue to focus on building construction in Johor

Our overall business strategy is to continue to focus on our core competency in building construction. We will continue to carry out building construction jobs in Johor supported by our track record of 13 years since the commencement of our business operation in Johor.

As at 10 June 2021, we have 18 on-going building construction projects and 2 civil engineering related construction projects with a total unbilled order book of RM249.58 million in Johor Bahru, Kulai and Pontian in Johor which are expected to be completed progressively between 2021 and 2023. Of the RM249.58 million, 52.49% was from the residential building construction projects and the non-residential building construction projects accounted for 47.46%, and the remaining 0.05% from 2 civil engineering related construction projects. As stated in Section 7.3.2 above, we continued to secure new building construction projects in 2021, including 3 new residential building construction project, namely the 122 DSTH Bandar Putra Project, 217 DSTH Taman Mutiara Maju Project and 206 DSTH Gelang Patah Project, and 3 new non-residential building construction projects, namely the 147 DSTV Aurora Sentral Project, Aurora Sentral Clubhouse Project and SJK (C) Sim Mow Yu Project.

Please refer to Section 7.5.9.2 of this Prospectus for further details on our on-going projects.

7. BUSINESS OVERVIEW (CONT'D)

7.23.1.1 Expansion into the other districts in Johor

Since commencement in 2008 and up to LPD, our building construction projects were focused in the districts of Johor Bahru and Kulai in Johor. On 10 June 2021, we secured a new residential building construction project in Pontian. As such, we intend to leverage on our experience and extend our reach to the other districts in Johor:



Note:

- * *Current principal markets based on building construction projects completed since commencement in 2008 and up to the LPD.*

Part of our strategies and plans to extend our reach to other districts in Johor takes consideration the following:

- A large and growing construction market would better support and provide growth to operators in the market. In 2020, Johor accounted for 10.3% of the total value of construction work done in Malaysia. In 2020, the value of construction work completed for the residential and non-residential sectors in Johor amounted to RM3.8 billion and RM3.4 billion respectively. (*Source: IMR Report*) Premised on the above, the construction market in Johor will provide opportunities for us to grow our business.
- Leveraging on our core competency in residential and non-residential building construction to extend our reach to other districts.
 - (a) In 2020, the total cumulative residential properties transacted in Kulai and Johor Bahru was 13,063 units (56.4%) of the total number of residential properties transacted in Johor. The remaining 10,087 units (43.6%) were from other districts, including Kluang, Batu Pahat, Muar, Segamat, Kota Tinggi, Ledang, Pontian and Mersing.

As such, the growth in the residential sector in other districts of Johor will provide opportunities for us.

- (b) In 2020, the total cumulative industrial properties transacted in Kulai and Johor Bahru was 422 units (65.9%) of the total number of industrial properties transacted in Johor. The remaining 218 units (34.1%) were from the total number of industrial properties transacted from other districts, including Batu Pahat, Kluang, Pontian, Muar, Ledang, Segamat, Kota Tinggi and Mersing.

7. BUSINESS OVERVIEW (CONT'D)

As such, the growth in the industrial sector in other districts of Johor will provide opportunities for us.

- In 2020, the real GDP of the construction industry declined by 19.4% following the COVID-19 pandemic. The construction industry experienced a decline of 7.9% and 44.5% in the Q1 and Q2 of 2020 compared to the corresponding periods in 2019 as almost all construction works were suspended in March and April 2020. However, the construction industry improved in the H2 2020 given better clarity and compliance with operating guidelines, more pervasive COVID-19 testing on workers and extended hours for construction activity. In addition, the rollout of stimulus packages supported many small-scale projects and spurred growth in the special trade subsector in H2 2020. According to BNM, Malaysia's construction industry is expected to grow by 13.4% in 2021.

Premised on the above, which include the potential market conditions in other districts in Johor as well as the expected recovery of Malaysia's economy in 2021, will provide opportunities for us to expand our market reach in the following areas.

(i) Residential buildings

Part of our strategies and plans is to focus on our core competency in residential building construction, to expand from mainly the Johor Bahru and Kulai districts into other districts in Johor.

The following are some statistics on the residential properties in Johor:

- In 2020, 64.1% of the total number of properties transacted in Johor were residential properties. The total volume of residential properties transacted in 2020 was 23,150 units in Johor, of which 48.7% were in Johor Bahru district and 7.7% in Kulai district.
- As at end of 2020, the future supply of residential properties in Johor was 119,815 units, which includes 49,607 units in the incoming supply and 70,208 units in the planned supply. *(Source: IMR Report)*

(ii) Industrial buildings

Part of our strategies and plans is to expand into industrial building construction to address opportunities provided by economic developments in Johor. Since commencement of our business in 2008, we have completed 6 industrial building construction projects with a total of 68 units of factories located in the districts of Johor Bahru and Kulai.

The following are some statistics related to industrial properties in Johor:

- In 2019, the total approved investment in manufacturing projects amounted to RM11.46 billion, which would help stimulate economic activities to support commercial activities and consumer spending to drive demand for properties.
- In 2020, Johor accounted for 13.5% and 17.0% of the total industrial properties transacted in Malaysia in terms of volume and value respectively. The total volume of industrial properties transacted in 2020 were 640 units in Johor, of which 53.1% were in Johor Bahru district and 12.8% were in Kulai district.

7. BUSINESS OVERVIEW (CONT'D)

- As at end of 2020, the future supply of industrial properties in Johor was 1,839 units, which includes 1,037 units in the incoming supply and 802 units in the planned supply. (Source: IMR Report)

In this respect, we intend to leverage on our experience to expand our construction of industrial buildings in the other districts in Johor.

Growing trends will help to provide growth opportunities to us to extend our market reach in other districts within Johor.

7.23.2 Purchase new construction machinery and equipment, as well as contract management and accounting software and office equipment

We have been using our construction machinery and equipment for our building construction operations. We also supplement with rented construction machinery and equipment for our construction operations. Our total cost of renting construction machinery and equipment was RM0.77 million, RM1.74 million, RM1.49 million and RM1.16 million for FYE 2017, FYE 2018, FYE 2019 and FYE 2020 respectively.

We plan to purchase new construction machinery and equipment as well as new contract management and accounting software and office equipment mainly to facilitate better scheduling of our construction work when our projects require concurrent usage and in anticipation of future growth. In addition, it will reduce our cost of renting from external parties.

As part of our business strategy, we intend to purchase the following construction machinery and equipment, as well as set up a new integrated contract management and accounting system:

Items	No. of units	Estimated total cost (RM'000)	Expected timing to purchase
Scaffoldings and its related accessories	51,191 m ²	3,000	Within 24 months
Backhoe loaders	5 units	650	Within 24 months
Tractors	6 units	96	Within 24 months
New contract management and accounting software and office equipment	-	454	Within 24 months
Total		4,200	

The total cost for the purchase of new construction machinery and equipment, as well as new contract management and accounting software and office equipment are estimated at RM4.20 million, which will be funded through IPO proceeds within 24 months from the Listing date. Please refer to Section 4.7 of this Prospectus for further details on the use of proceeds.

(i) Scaffoldings and its related accessories

Scaffoldings are temporary structures on the external walls used as working platforms during the construction of buildings. For the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, our purchases of scaffoldings amounted to RM0.15 million, RM0.26 million, RM0.73 million and RM0.65 million respectively. We plan to purchase new scaffoldings that is expected to cover 51,191 m² of external wall space at any one time to replace some of the old and non-usable scaffoldings. The total cost of purchasing the new scaffoldings and related accessories is estimated at RM3.00 million and will be funded using IPO proceeds within 24 months from the Listing date.

7. BUSINESS OVERVIEW (CONT'D)

(ii) Backhoe loaders

Backhoe loaders are mainly used for earthwork mainly site clearance, excavation, backfilling works and material handling. As at the LPD, we have a total of 9 units of backhoe loaders. We intend to purchase an additional 5 units of backhoe loaders to cater for our business growth. The total cost of these backhoe loaders is estimated at RM0.65 million which will be funded using our IPO proceeds within 24 months from the Listing date.

(iii) Tractors

Tractors are mainly used to transport, load and unload construction materials at the site. As at the LPD, we have 12 units of tractors. We are planning to purchase an additional 6 units of tractors within 24 months from the Listing date and the total cost is estimated at RM0.10 million which will be funded using our IPO proceeds.

(iv) New contract management and accounting software and office equipment

We are planning to set up a new integrated contract management and accounting system involving a customised software which caters for integration of information flows and data of multiple departments, such as the accounts, purchasing and contract departments. Part of our plan also includes upgrading our accounting system which will be able to more effectively and efficiently support our contract department's functions including recording subcontractors' claims and progress billings, purchase request and fixed asset management. As such, we intend to purchase a new customised software and office equipment including the installation of new server, computers and peripherals to replace some of our existing systems and computers. The total cost for the purchase of and implementation of the new integrated system is estimated at RM0.50 million. We intend to utilise RM0.45 million from the IPO proceeds to partially fund the purchase and implementation of the new integrated system, while the remaining RM0.05 million will be funded through internally generated funds.

7.24 ADDITIONAL DISCLOSURE**7.24.1 Additional taxes and tax penalties imposed by IRB for the years of assessment 2013 to 2016**

Following a field tax audit conducted by IRB on Haily Construction, IRB released its audit findings via a letter dated 22 February 2018 informing of issues identified and requested for Haily Construction to provide its reply.

Haily Construction had via a letter dated 14 March 2018 replied to IRB's audit findings and details of the underpayment of taxes and penalties are as tabulated below:

Year of assessment	Additional/ (Reduced) taxes (RM)	Penalty (at 45%) (RM)	Total taxes payable (RM)
2013	419,865.50	188,939.48	608,804.98
2014	1,710.00	769.50	2,479.50
2015	38,151.75	17,168.29	55,320.04
2016	777.60	349.92	1,127.52
Total	460,504.85	207,227.19	667,732.04

The IRB also issued the Notices of Additional Assessment (Form JA) dated 27 March 2018 on the above.

The underpayment of taxes arose due to the following:

- (i) the initial purchase of scaffoldings in years of assessment 2013 and 2015 (i.e. of RM1,675,142 and RM147,867 respectively) were not deductible expenses but were claimed as deductible expenses;

7. BUSINESS OVERVIEW (CONT'D)

- (ii) payment of penalty of RM1,500 in year of assessment 2015 was not deductible expenses but claimed as a deductible expense; and
- (iii) purchases of cabin for workers' quarters in years of assessment 2013, 2014, 2015 and 2016 (i.e., of RM4,320, RM6,840, RM3,240 and RM3,240, respectively) were not deductible expenses but were claimed as deductible expenses.

Arising from the above, Haily Construction was listed as a Non-Compliant tax-payer from March 2018 and was monitored for the subsequent year.

The additional taxes and penalties of RM667,732.04 was set-off against tax paid in excess amounting to RM4,324,816.88 for years of assessment 2015 (of RM3,047,540) and 2016 (of RM1,277,276.88) as tabulated below:

Year of assessment	Additional taxes and penalties (RM)	Tax paid in excess (RM)	After set-off (RM)
2013	608,804.98	-	
2014	2,479.50	-	
2015	55,320.04	3,047,540	
2016	1,127.52	1,277,276.88	
Total	667,732.04	4,324,816.88	3,657,084.84
	(A)	(B)	(B) – (A) Balance refunded by IRB

After offsetting, the balance of tax paid in excess amounting to RM3,657,084.84 was refunded by the IRB.

There was no unpaid tax liability for years of assessment 2017 and 2018 and as at the LPD, IRB has refunded the tax paid in excess by Haily Construction of RM1,042,300.96 for year of assessment 2018.

During the Financial Years Under Review and up to the LPD, save and except for the above, there are no material tax related matters to be highlighted for the Haily Group.

The steps taken our Group include the following:

- (i) strengthened the accounts and finance team by employing the following personnel:
 - the Chief Financial Officer, Long Cheow Siong, who is a Certified Public Accountant (CPA) of the Malaysian Institute of Certified Public Accountants (MICPA) and a Chartered Accountant of MIA, in April 2019 (please refer to Section 5.4.2 of this Prospectus for further details on his profile); and
 - 2 other senior experienced accounts and finance personnel in August 2018 and May 2020;
- (ii) implemented monthly tax computation preparation and verification procedures in January 2020 to ensure the Group complies with the taxation requirements; and
- (iii) engaged Baker Tilly HYT, a new tax agent on 23 April 2019 to advise our Group on all tax related matters.

Further to the above, our Audit and Risk Management Committee has also undertaken to monitor and ensure continued compliances of the above tax requirements.

7. BUSINESS OVERVIEW (CONT'D)**7.24.2 Non-compliance with the Factories and Machinery (Building Operations and Works of Engineering Construction) (Safety) Regulations 1986 ("FM Regulations")**

During the Financial Years Under Review, the following are the non-compliances/offences in relation to the FM Regulations committed by Haily Construction at 3 separate construction sites which resulted in a total penalty of RM17,000. Further details are set out in the table below:

	182 DSTH Taman Austin Duta Project ("Site A")	Indahpura Business Central (Phase 1) Project ("Site B")	30 SSSD Taman Ungku Tun Aminah -Zone 11D ("Site C")
Offences committed	2 offences committed on Site A resulting in a penalty of RM2,000	7 offences committed on Site B resulting in a penalty of RM13,000	2 offences committed on Site C resulting in a penalty of RM2,000
Date of compound issued by DOSH	16 May 2018	17 September 2019	19 November 2019
Description of offences committed	Failure to ensure periodic inspection is performed by a designated person on scaffolding and to obtain approval from the chief inspector for the design and drawings of the scaffolding erected.	Failure to ensure periodic inspection is performed by a designated person on scaffolding and other related offences related to scaffolding/ Failure to keep the place of work free from construction materials, to use construction material certified by a professional engineer as structurally safe and failure to use specified wood and failure to ensure that working platform of Site B are equipped with suitable guard rails.	Failure to ensure that working platform of Site C are equipped with suitable guard rails and to ensure periodic inspection is performed by a designated person on scaffolding.

The failure to comply with the safety and preventive measures under the FM Regulations was due to the lack of competent person to assume the role of a scaffolding inspector.

As at the LPD, the compounds had been fully paid and settled by Haily Construction.

7. BUSINESS OVERVIEW (CONT'D)

The steps taken by our Group to address the non-compliances include the following:

Our Group views occupational safety and health to be an important component of our business and has taken the necessary steps and implemented the following policies, guidelines and practices to improve on our Group's safety and health measures.

(i) Appointment of scaffolding inspector & safety and health officer/ site safety supervisor:

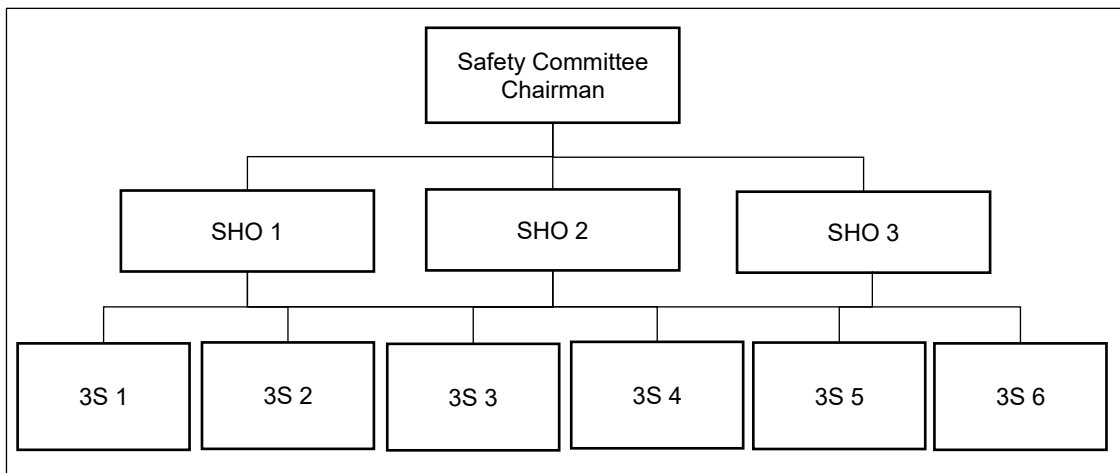
In July 2019, Haily Construction appointed an external party certified by DOSH for every project to undertake the role of scaffolding inspector. The role covers conducting inspections at the construction sites and to supervise and inspect materials to be used for the construction of scaffolding on each occasion before being used as well as to oversee that all regulatory procedures (in respect of the FM Regulations) as may be imposed or amended by the regulatory authorities are complied with from time to time.

In addition, our Group has also ensured the appointment of a safety and health officer (for projects with total contract price exceeding RM20 million) or site safety supervisor (for projects with total contract price below RM20 million) for all the construction sites to ensure that the safety and preventive measures are in place before the commencement of the construction work.

(ii) To improve the overall occupational safety and health measures of our Group:

On 2 March 2020, Haily Construction formalised the Safety and Health Department to ensure consistent implementation, execution and compliance with the safety and health measures.

The Safety and Health Department structure is as follows:



Note:

*SHO : Safety and Health Officer; 3S: Site Safety Supervisor

7. BUSINESS OVERVIEW (CONT'D)

Haily Construction has implemented the following:

(a) Manual of Occupational Safety and Health

Haily Construction has formalised and standardised a Manual of Occupational Safety and Health ("Safety Manual") on 1 June 2020. The procedures to manage occupational safety and health measures are stated in the Safety Manual.

The key categories in the Safety Manual are notification of an operation, Hazard Identification Risk Assessment and Risk Control (HIRARC), emergency response plan, notification and reporting of an accident and dangerous occurrence, scaffold inspection checklist, working at height, competent person, housekeeping, larva siding and fogging, and machinery.

Since August 2020, the Safety Manual is attached in the letter of award issued to all our sub-contractors. It is also stated in the standard terms of conditions of the letter of award for new projects to ensure the sub-contractors acknowledge the acceptance of the terms and conditions including compliance with the terms and conditions of the Safety Manual.

In addition, regular meetings (toolbox meetings) are conducted at our respective construction sites to ensure that the site workers fully understand and are aware of safety standard and procedures in the Safety Manual.

(b) A set of standard forms

Haily Construction has implemented a set of standard forms to aid the implementation of safety and health measures. Some examples of the key standard documents include, Health, Safety and Environment ("HSE") induction, scaffold inspection checklist, working at heights permit, hot (i.e., high temperature) work permit, HSE weekly report, HSE monthly report, unsafe act unsafe condition form, incident notification form, accident incident investigation report, stop work order form, safety inspection checklist, fire extinguisher checklist, first aid box checklist, tools inspection checklist, mosquito control checklist and penalty form.

A complete set of forms are given to the safety and health officers and safety and health supervisors. They are to brief the site personnel on the requirements of the safety and health standard forms during regular toolbox meetings.

(c) Appointment of safety and health officers or site safety supervisors

Haily Construction has ensured the appointment of a safety and health officer (for any project with a total contract sum exceeding RM20 million⁽¹⁾) or a site safety supervisor (for any project with a total contract sum below RM20 million⁽¹⁾) for all the construction sites, who will be responsible to ensure that the safety and preventive measures are in place before the commencement of construction work.

Note:

(1) This is in accordance to DOSH's requirements.

7. BUSINESS OVERVIEW (CONT'D)

(d) Guidelines of hazards, incidents and accident reporting

Haily Construction has implemented guidelines of hazards, incidents and accident reporting to enforce compliance with the DOSH's notification of accident requirements. The appointed safety and health officer or site safety supervisor will refer to DOSH if anything is in doubt. They are also responsible to notify DOSH of any accident/ incident within the stipulated guidelines set by DOSH.

7.24.3 Penalty imposed by Session Court of Johor Bahru for the failure to report to DOSH of the subsequent death of a sub-contractor's construction worker injured at the site

On 20 December 2018, a foreign worker employed by the sub-contractor was trying to retrieve his personal belongings at site after his shift and in the process, fell and suffered injuries. He was sent to the hospital by the sub-contractor. This incident was reported to Haily Construction's safety and health officer by the subcontractor on 20 December 2018 and Haily Construction was told that the sub-contractor's construction worker was in a stable condition and recovering. Unknown to Haily Construction, the sub-contractor's construction worker suffered complication and died on 6 January 2019, more than 2 weeks after the incident.

Following investigations by DOSH on the incident, Haily Construction was charged in accordance to Regulation 5(1)(a) of DOSH Regulations 2004 on 31 July 2019, for failure to lodge a report and to notify DOSH within 7 days of the demise and was subsequently issued a compound in accordance to Regulation 13 of DOSH Regulations 2004 by the Session Court of Johor Bahru on 31 July 2019 where a fine of RM5,000 was issued by the Session Court of Johor Bahru for failure to lodge a report and notify DOSH. The fine has been paid on 22 August 2019. The sub-contractor admitted that it was their fault and compensated Haily Construction for the fine paid.

Pursuant to the Occupational Safety and Health Act 1994 ("OSHA") and DOSH Regulations 2004, it is part of Haily Construction's duties (as the main contractor) to notify DOSH in relation to any dangerous incident arising out of work which includes, the cause of death or serious bodily injury to any person.

This is the only case that an incident involving death or serious bodily injury has occurred in Haily Construction's construction sites.

The steps taken by our Group include the following:

- (i) formalised and standardised a Safety Manual which includes the relevant guidelines of hazards, incidents and accident reporting to enhance the prior practices and ensure compliance with DOSH's notification of accident requirements;
- (ii) ensured the appointment of a safety and health officer (for projects with total contract price exceeding RM20 million) or site safety supervisor (for projects with total contract price below RM20 million) for all the construction sites to ensure that the safety and preventive measures are in place before the commencement of the construction work; and
- (iii) issued letters to notify all its sub-contractors of their respective duties to inform Haily Construction of any dangerous occurrence involving serious bodily injury or death of workers, in order to ensure timely reporting to DOSH. For the new projects effective from August 2020, such notification is part of the conditions stated in the letter of award to sub-contractors.

7. BUSINESS OVERVIEW (CONT'D)

7.24.4 Non-compliance with Section 33A(6) of the LPIP Act

On 1 September 2020, Haily Construction was compounded pursuant to Section 38C of the LPIP Act with a fine of RM8,000 by CIDB. The fine was for failure to ensure the construction site supervisor/ skilled construction worker is accredited and certified by CIDB to carry out the construction works at PTD 158757, Mukim Tebrau, Johor Bahru, Johor on 4 March 2020 in accordance with Section 33A(6) of the LPIP Act.

Pursuant to Section 33A(6) of the LPIP Act, an employer shall ensure that a skilled construction worker is certified by the Akademi Binaan Malaysia ("ABM")⁽¹⁾ if the worker is required to handle any specialised/ skilled work.

Note:

- (1) *ABM is a CIDB's training arm that provides evaluation and training to meet the needs for the development and improvement of skills for construction workers in 2016. ABM focuses on equipping construction personnel with appropriate competencies according to industry standards. Upon attending the training conducted by ABM, a worker is given a Skill Competency Certificate (Sijil Kecekapan Kemahiran) ("SCC") which certifies the construction worker has completed the competency assessment and fulfilled the competency standard in a specialised construction work by CIDB. There are no alternatives to or in obtaining such certifications for construction workers.*

In view of the above, Haily Construction had compiled the SCC from all the sub-contractors in respect to the project sites, which specialised/ skilled work were required, to ensure that all its sub-contractors were in compliance with this requirement by December 2020.

As at December 2020, there were 35 sub-contractors' skilled workers whom were pending the issuance of the SCC and Haily Construction assisted with the enrolment for the relevant training courses with CIDB conducted in December 2020 for the procurement of the SCC. Of the 35 sub-contractors' skilled workers, a total of 4 sub-contractors' skilled workers have failed the skilled competency assessment.

As at the LPD, Haily Construction has 107 skilled workers that are certified with SCC for the project sites that require specialised/ skilled work. Workers without or failed the skilled competency assessment are not qualified to undertake such skilled/ specialized construction works and will only be carrying general construction work at our project sites. Nevertheless, our Group has sufficient skilled workers to ensure there would not be material disruptions to the operations of our Group.

The steps taken by our Group include the following:

As a result of this CIDB compound, Haily Construction has implemented the following measures:

- (i) formalised and standardised a Safety Manual which includes the implementation HSE induction standard procedures where all sub-contractors are required to submit the workers' name list together with copies of CIDB cards and skilled construction workers certificates to Haily Construction before allowing the sub-contractors to commence construction works at the construction sites; and
- (ii) Haily Construction will continue to enforce strict compliance with the requirements by ensuring all sub-contractors make timely submissions of the complete set of certificates of the skilled construction workers before allowing the sub-contractors to commence construction works at the construction sites.

8. THE IMR REPORT



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

8 June 2021

The Board of Directors
Haily Group Berhad
Suite 5.11 & 5.12, 5th Floor, Menara TJB
No. 9, Jalan Syed Mohd Mufti
80000 Johor Bahru
Johor

Dear Sirs/Madam

Vital Factor Consulting Sdn Bhd
(Company No: 266797-T)

V Square @ PJ City Centre (VSQ)
Block 6 Level 6, Jalan Utara
46200 Petaling Jaya
Selangor, Malaysia

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Independent Assessment of the Construction Industry in Malaysia

We, Vital Factor Consulting Sdn Bhd (Vital Factor), are an independent business consulting and market research company in Malaysia. We commenced our business in 1993 and, among others, our services include development of business plans incorporating financial assessments, information memorandums, commercial due diligence, feasibility and financial viability studies, and market and industry studies. We have been involved in corporate exercises since 1996, including initial public offerings and reverse takeovers for public listed companies on Bursa Malaysia Securities Berhad (Bursa Securities), acting as the independent business and market research consultants.

We have been engaged to provide an independent industry assessment on the above subject for inclusion into the prospectus of Haily Group Berhad in relation to its proposed listing on the ACE Market of Bursa Securities. We have prepared this report in an independent and objective manner and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Our report includes assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. While such statements are made based on, among others, secondary information, primary market research, and after careful analysis of data and information, the industry is subjected to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results. In light of these and other uncertainties, the inclusion of assessments, opinions and forward-looking statements may differ from actual events.

Yours sincerely

Wooi Tan
Managing Director

Wooi Tan has a degree in Bachelor of Science from The University of New South Wales, Australia and a degree in Master of Business Administration from The New South Wales Institute of Technology (now known as University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and Institute of Managers and Leaders (formerly known as Australian Institute of Management). He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing on Bursa Securities.

8. THE IMR REPORT (CONT'D)



VITAL FACTOR CONSULTING
Creating Winning Business Solutions

INDEPENDENT ASSESSMENT OF THE CONSTRUCTION INDUSTRY IN MALAYSIA

1. INTRODUCTION

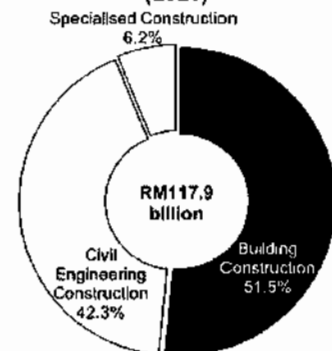
- Haily Group Berhad, together with its subsidiary, (herein referred to as Haily Group) is involved in the construction of residential buildings including landed and high rise buildings, and non-residential buildings including commercial, purpose built and industrial buildings. Haily Group carries out its construction projects in Johor. As such, the focus of this report will be on the building construction industry in general, and specifically in Johor.

2. OVERVIEW OF THE CONSTRUCTION INDUSTRY

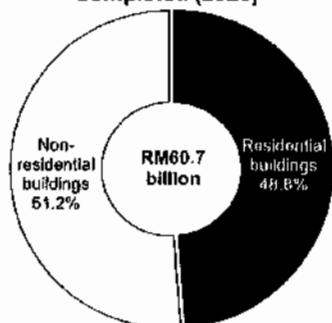
2.1 Structure of the Construction Industry

- Generally, the construction industry in Malaysia can be segmented into the following subsectors:
 - Building construction** comprises construction of residential and non-residential buildings including new works, repairs, additions, alterations and erection of pre-fabricated buildings and structures.
 - Civil engineering** refers to the construction of infrastructure for public use including roads, railways, bridges, seaports, airports and utility projects such as power plants, pipelines, power lines, communication lines, reservoirs and sewerage systems.
 - Specialised construction** encompasses constructing parts of buildings and civil engineering works without the responsibility of the entire project. It usually requires specialised skills or equipment. Examples include demolition, piling and foundation works, concrete works, scaffolding, and building completion such as plastering, glazing, wall and floor tiling, painting and carpentry.
- Haily Group is in the building construction subsector which represented 51.5% of the total construction industry in 2020.

Construction Work Completed (2020)



Building Construction Work Completed (2020)



(Source: Department of Statistics)

2.2 Building Construction Segmentation

- The building construction subsector is segmented as follows:
 - Residential buildings**, which are used for dwelling purposes and include landed, low rise and high rise residential buildings.
 - Non-residential buildings**, which mainly comprise commercial, industrial, leisure and institutional buildings such as government, educational and healthcare facilities.
- Haily Group is involved in the construction of both residential and non-residential buildings. For the financial year ended 31 December (FYE) 2020, revenue from residential building construction segment accounted for 87.2% of Haily Group's total revenue.

3. PERFORMANCE OF THE CONSTRUCTION INDUSTRY

- The performance of the construction industry provides an indication of how operators are faring. A growing construction industry will help sustain and provide growth to operators.

3.1 Real Gross Domestic Product (GDP) of the Construction Industry

- Real GDP of the construction industry provides an indication of the value of work undertaken without the impact of price inflation. In 2019, the construction industry in Malaysia moderated due to completion of large projects, and smaller scale and fewer number of new projects as well as an oversupply of properties (Source: Bank Negara Malaysia (BNM)).

8. THE IMR REPORT (CONT'D)

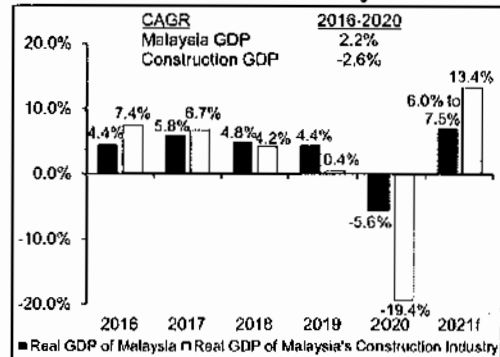


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- In 2020, the real GDP of Malaysia declined by 5.6% with low growth of 0.9% in the first quarter (Q1) but declined by 17.0% in the second quarter (Q2) due to broad-based weakness in exports, production and domestic demand resulting from the introduction of containment measures to curb the rise in COVID-19 cases. Subsequently, in the second half of (H2) 2020 the economy in Malaysia experienced gradual recovery as the economy was re-opened, and economic and social activities partially resumed. In addition, several stimulus packages were also introduced by the government to mitigate the adverse economic impact and to support the recovery of the economy. In Q1 2021, the real GDP of Malaysia registered a smaller decline of 0.5% as compared to a decline of 3.4% in the Q4 2020. The improvement was mainly supported by improved domestic demand, export demand particularly for E&E products as well as continued stimulus programmes. However, the GDP growth was weighted down by the second MCO imposed in January 2021 and the continued closure of international borders and restrictions on interstate travel (Source: BNM).
- In 2020, the real GDP of the construction industry declined by 19.4%, reflecting reduced work capacity in compliance to containment measures, labour shortages due to international border closures, supply chain disruptions and site shutdowns following the COVID-19 pandemic. The construction industry experienced a decline of 7.9% and 44.5% in the Q1 and Q2 of 2020 compared to the corresponding periods in 2019. The decline resulted from the suspension of almost all construction works in March and April. However, the construction industry improved in the H2 2020 given better clarity and compliance with operating guidelines, more pervasive COVID-19 testing on workers and extended hours for construction activity. In addition, the rollout of stimulus packages supported many small-scale projects and spurred growth in the special trade subsector in H2 2020. Activities in the non-residential and residential sectors benefitted from new housing projects and ramp-up in progress of projects due for completion in the H2 2020, while the civil engineering subsector was supported by continued progress in large infrastructure projects. In Q1 2021, real GDP of the construction industry registered a smaller decline of 10.4% as compared to a decline of 13.9% in the Q4 2020, mainly supported by the ramp up of construction works in commercial projects that are nearing completion and the continued implementation of small-scale projects which supported the growth in the special trade subsector. However, activities in the residential, non-residential and civil engineering subsectors are relatively weak, affected by labour shortage and site shutdowns due to COVID-19 outbreak (Source: BNM).
- According to Economic and Monetary Review 2020 published by BNM on 31 March 2021, Malaysia's economy is expected to grow within a range of 6.0% to 7.5% while the construction industry is expected to grow by 13.4% in 2021 (Source: BNM).

Real GDP Growth of Malaysia's Economy and Construction Industry



CAGR= compound annual growth rate which measures the average yearly growth; f = forecast (Source: BNM)

3.2 Construction Work Completed by Subsectors

- The total value of construction work completed provides an indication of the overall performance of the construction industry where Haily Group is focused on residential and non-residential segments.

Value of Construction Work Completed by Subsectors

	2015 (RM mil)	2016 (RM mil)	2017 (RM mil)	2018 (RM mil)	2019 (RM mil)	2020 (RM mil)	CAGR (2018-20)	CAGR (2016-20)
Malaysia ⁽¹⁾	114,943	126,838	138,452	145,547	146,371	117,918	-10.0%	-1.8%
Residential	33,846	37,807	39,317	36,592	35,752	29,609	-10.0%	-5.9%
Non-residential	39,080	39,762	41,552	41,201	37,558	31,127	-13.1%	-5.9%
Johor ⁽¹⁾	22,177	27,549	25,160	28,408	20,504	12,141	-34.6%	-18.5%
Residential	7,195	6,468	5,276	4,575	5,514	3,840	-8.4%	-12.2%
Non-residential	6,260	6,053	6,218	7,284	4,016	3,443	-31.2%	-13.2%

(1) This is the total level comprising residential, non-residential, civil engineering and specialised construction. Notes: (a) Total may not add up due to rounding; (b) All construction work completed referred to in this section cover all main contractors with project value of RM500,000 and above, and are registered with Construction Industry Development Board (CIDB). (Source: Department of Statistics)

8. THE IMR REPORT (CONT'D)



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- In Malaysia, residential and non-residential construction work completed collectively contributed more than 50% of the total value of construction work in Malaysia between 2015 and 2020. Overall, in 2020, the residential and non-residential segments in Malaysia recorded a decline in terms of value of construction work completed by 17.2% and 17.1% respectively as compared to the previous year. In Q1 2021, construction work completed for the residential and non-residential segments declined by 4.2% and 5.3% respectively. The decline was mainly due to measures taken to contain the COVID-19 pandemic as well as shutdowns in construction sites due to COVID-19 outbreaks. In 2020, Selangor, Federal Territories, Sarawak and Johor accounted for 26.4%, 23.0%, 10.8% and 10.3% of the total value of construction work done in Malaysia, while the other states each contributed less than 10.0% of the total construction work done. Haily Group's building construction activities are in Johor. Value of construction work completed in the residential and non-residential segments in Johor declined by 30.4% and 14.3% in 2020, and 32.7% and 20.7% in Q1 2021 respectively. Total value of construction work completed in Malaysia and Johor declined by 19.4% and 40.8% in 2020 and 10.5% and 28.1% in Q1 2021 compared to the corresponding period of the previous year respectively.

3.3 Construction Work Completed by Public and Private Sector

- Public sector projects include those undertaken by the government or public corporations. Public corporations consist of statutory bodies and non-statutory bodies such as Tenaga Nasional Berhad, Telekom Malaysia Berhad, and Perumahan Rakyat 1Malaysia Corporation.

Value of Construction Work Completed by Project Owner

	2015 (RM mil)	2016 (RM mil)	2017 (RM mil)	2018 (RM mil)	2019 (RM mil)	2020 (RM mil)	CAGR (2018-20)	CAGR (2016-20)
Private sector ⁽¹⁾	77,200	80,929	87,625	83,067	81,071	65,115	-11.5%	-5.3%
Residential	31,136	34,259	37,425	34,395	32,777	27,258	-11.0%	-5.6%
Non-residential	30,375	30,528	32,118	29,414	27,988	23,808	-10.0%	-6.0%
Public sector ⁽¹⁾⁽²⁾	37,743	45,909	50,827	62,480	65,301	52,803	-8.1%	3.6%
Residential	2,710	3,549	1,892	2,197	2,975	2,351	3.5%	-9.8%
Non-residential	8,704	9,234	9,434	11,787	9,570	7,318	-21.2%	-5.6%
Total	114,943	126,838	138,452	145,547	146,371	117,918	-10.0%	-1.8%

(1) This is the total level comprising residential, non-residential, civil engineering and specialised construction (2) Public sector includes Government and public corporations. Notes: (a) Total may not add up due to rounding; (b) All construction works completed referred to in this section covers all main contractors with project value of RM500,000 and above, and are registered with CIDB (Source: Department of Statistics)

- For the FYE 2017, FYE 2018, FYE 2019 and FYE 2020, Haily Group's revenue were derived from building construction of private sector projects. Between 2015 and 2020, private sector projects were the main driver of construction works. However, contribution of private sector projects to the construction industry as a whole has been contracting gradually over the years, from 67.2% in 2015 to 55.2% in 2020. In 2020, 78.4% of private sector projects were for construction of residential and non-residential buildings.
- In 2020, the private sector experienced a decline of 19.7% in the value of construction work completed and this was due to the decline in all segments namely residential, non-residential, civil engineering and specialised construction segment. Similarly, value of construction work done in the public sector in 2020 also contracted by 19.1%, this was mainly due to the decline in the residential, non-residential and civil engineering segments. In Q1 2021, the value of construction work completed in the private and public sector declined by 9.8% and 11.3% respectively.

4. PERFORMANCE OF THE PROPERTY DEVELOPMENT INDUSTRY

- This section assesses the property development industry, which affects the construction industry.

4.1 Residential Properties Transactions

Residential Properties Transacted*

	2015	2016	2017	2018	2019	2020	CAGR (2018-20)	CAGR (2016-20)
Malaysia								
Volume (Units)	235,967	203,064	194,684	197,385	209,295	191,354	-1.5%	-1.5%
Value (RM million)	73,470	65,574	68,463	68,748	72,407	65,874	-2.1%	-0.1%

8. THE IMR REPORT (CONT'D)



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	2015	2016	2017	2018	2019	2020	CAGR (2018-20)	CAGR (2016-20)
Johor								
Volume (Units)	31,060	26,186	24,886	26,886	28,904	23,150	-7.2%	-3.0%
Value (RM million)	9,284	8,578	8,643	8,771	10,117	8,163	-3.5%	-1.2%

Number of Residential Properties Transacted in Johor by District*

	Johor Bahru ⁽¹⁾ (units)	Kota Tinggi ⁽²⁾ (units)	Pontian ⁽²⁾ (units)	Kulai Jaya ⁽¹⁾ (units)	Others ⁽³⁾ (units)	Total (units)
2015	16,145	772	668	2,572	10,903	31,060
2016	13,353	734	596	2,332	9,171	26,186
2017	12,663	587	586	1,806	9,244	24,886
2018	13,095	608	509	3,544	9,130	26,886
2019	14,909	989	489	2,494	10,023	28,904
2020	11,275	791	477	1,788	8,819	23,150
CAGR (2018-20)	-7.2%	14.1%	-3.2%	-29.0%	-1.7%	-7.2%
CAGR (2016-20)	-4.1%	1.9%	-5.4%	-6.4%	-1.0%	-3.0%

*include sales of new and sub-sale properties. (1) Haily Group's building construction projects are located in these districts for the Financial Years Under Review and up to the LPD. (2) Located in the vicinity of Johor Bahru and Kulai Jaya where Haily Group operates. (3) Others include Kluang, Mersing, Batu Pahat, Muar, Segamat and Ledang. (Source: National Property Information Centre, NAPIC)

- In 2020, residential properties represented 64.7% of the total number of properties transacted in Malaysia. In Johor, residential properties represented 64.1% of the state's total number of properties transacted.
- Between 2018 and 2020, residential property transactions in Malaysia declined in both volume and value. Properties priced at RM300,000 and below accounted for at least 61% of the total number of residential properties transacted over the past three years. Transaction volume and value of residential properties in Malaysia contracted by 8.6% and 9.0% in 2020 and 11.1% and 26.1% in Q1 2021 compared to the corresponding period of the previous year respectively.
- Between 2018 and 2020, residential property transactions in Johor experienced decline. Properties priced at RM300,000 and below accounted for at least 50% of the total number of residential properties transacted. In 2020, transaction volume and value of residential properties in Johor declined by 19.9% and 19.3% in 2020 and 10.9% and 4.1% in Q1 2021 compared to the corresponding period of the previous year respectively. Between 2015 and 2020, residential properties transacted in Johor were mainly in Johor Bahru which consistently represented approximately 50% of the total number of residential properties transacted. In 2020, 11,275 units or RM4.9 billion of residential properties were transacted in Johor Bahru. In 2020, landed residential property transactions accounted for 73.4% and 91.6% of the total number of residential properties transacted in Johor Bahru and Kulai respectively.
- Between 2018 and 2020, transactions of landed residential properties in Johor Bahru and Kulai declined by an average annual rate of 5.5% and 1.1% respectively, due to lower number of properties transacted in 2020. In 2020, landed residential properties transacted in Johor Bahru and Kulai combined amounted to 55.9% and 66.9% of the total transacted volume and value respectively.

4.2 Commercial Properties Transactions

Commercial Properties Transacted*

	2015	2016	2017	2018	2019	2020	CAGR (2018-20)	CAGR (2016-20)
Malaysia								
Volume (Units)	31,776	23,745	22,162	23,936	25,654	20,255	-8.0%	-3.9%
Value (RM million)	26,400	35,943	25,439	29,514	28,985	19,530	18.7%	14.1%
Johor								
Volume (Units)	4,507	3,359	3,144	3,504	3,706	3,025	-7.1%	-2.6%
Value (RM million)	3,712	2,845	3,378	3,233	3,166	2,860	-5.9%	0.1%

8. THE IMR REPORT (CONT'D)



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Number of Commercial Properties Transacted in Johor by Districts*

	Johor Bahru ⁽¹⁾ (units)	Kota Tinggi ⁽²⁾ (units)	Pontian ⁽²⁾ (units)	Kulai Jaya ⁽¹⁾ (units)	Others ⁽³⁾ (units)	Total (units)
2015	2,047	306	114	218	1,822	4,507
2016	1,469	104	94	340	1,352	3,359
2017	1,366	75	88	263	1,352	3,144
2018	1,686	112	93	408	1,204	3,503
2019	1,967	145	66	306	1,222	3,706
2020	1,718	62	81	254	910	3,025
CAGR (2018-20)	0.9%	-25.6%	-6.7%	-21.1%	-13.1%	-7.1%
CAGR (2016-20)	4.0%	-12.1%	-3.7%	-7.0%	-9.4%	-2.6%

*include sales of new and sub-sale properties. (1) Haily Group's building construction projects are located in these districts for the Financial Years Under Review and up to the LPD. (2) Located in the vicinity of Johor Bahru and Kulai Jaya where Haily Group operates. (3) Others include Kluang, Mersing, Batu Pahat, Muar, Segamat and Ledang. (Source: NAPIC)

- In 2020, commercial properties accounted for 16.4% of the total value of properties transacted in Malaysia. Volume and value of commercial properties transacted declined by 21.0% and 32.6% in 2020 and 17.3% and 31.1% in Q1 2021 compared to the corresponding period of the previous year respectively.
- In 2020, Johor accounted for 14.6% and 14.9% of the total commercial properties transacted in Malaysia in terms of value and volume respectively. In 2020, commercial properties priced RM500,000 and below accounted for 55.0% of the total number of commercial properties transacted in Johor. Between 2015 and 2020, commercial properties transacted in Johor were mainly in Johor Bahru which consistently represented at least 43.0% of the total number of commercial properties transacted in the state. In 2020, 1,718 units or RM2,197 million of commercial properties transacted were in Johor Bahru.

4.3 Industrial Properties Transactions

Industrial Properties Transacted*

	2015	2016	2017	2018	2019	2020	CAGR (2017-19)	CAGR (2015-19)
Malaysia								
Volume (Units)	7,046	5,609	5,725	6,032	6,261	4,758	-11.2%	-4.0%
Value (RM million)	11,971	12,019	11,642	15,013	14,846	12,763	-7.8%	1.5%
Johor								
Volume (Units)	1,134	729	799	866	1,016	640	-14.0%	-3.2%
Value (RM million)	2,331	2,027	1,896	2,228	2,060	2,169	-1.3%	1.7%

Number of Industrial Properties Transacted in Johor by Districts*

	Johor Bahru ⁽¹⁾ (units)	Kota Tinggi ⁽²⁾ (units)	Pontian ⁽²⁾ (units)	Kulai Jaya ⁽¹⁾ (units)	Others ⁽³⁾ (units)	Total (units)
2015	541	21	112	143	317	1,134
2016	382	11	28	99	209	729
2017	380	17	25	105	272	799
2018	431	13	69	96	257	866
2019	526	6	47	142	295	1,016
2020	340	15	16	82	187	640
CAGR (2018-20)	-11.2%	7.4%	-51.8%	-7.6%	-14.7%	-14.0%
CAGR (2016-20)	-2.9%	8.1%	-13.1%	-4.6%	-2.7%	-3.2%

*include sales of new and sub-sale properties. (1) Haily Group's building construction projects are located in these districts for the Financial Years Under Review and up to the LPD. (2) Located in the vicinity of Johor Bahru and Kulai Jaya where Haily Group operates. (3) Others include Kluang, Mersing, Batu Pahat, Muar, Segamat and Ledang. (Source: NAPIC)

- In 2020, industrial properties accounted for 10.7% of the total value of properties transacted in Malaysia. Transaction volume and value of industrial properties declined by 24.0% and 14.0% in 2020 and 17.3% and 17.7% in Q1 2021 compared to the corresponding period of the previous year respectively.

8. THE IMR REPORT (CONT'D)

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- In 2020, Johor accounted for 13.5% and 17.0% of the total industrial properties transacted in Malaysia in terms of volume and value respectively. In 2020, industrial properties above RM1 million accounted for 56.3% of the total number of industrial properties transacted in Johor. Between 2015 and 2020, industrial properties transacted in Johor were mainly in Johor Bahru which represented at least 47.6% of the total number of industrial properties transacted in Johor. In 2020, 340 units or RM1,136 million of industrial properties were transacted in Johor Bahru.

4.4 Future Supply

- Future supply of residential properties can be used as an indicator of the demand for building construction work. The future supply consists of planned properties with building plan approvals and incoming supply comprising buildings where construction has started but not yet completed.

Future Supply of Residential, Shop Units and Industrial Properties

Property Supply	Residential (units)			Shop Units (units)			Industrial (units)		
	Incoming	Planned	Future	Incoming	Planned	Future	Incoming	Planned	Future
Malaysia									
2017	480,892	448,199	929,091	40,464	32,370	72,834	5,675	7,513	13,188
2018	467,091	449,685	916,776	38,897	37,236	76,133	4,917	7,057	11,974
2019	443,161	441,309	884,470	37,395	35,183	72,578	4,343	7,169	11,512
2020	434,807	429,985	864,792	32,033	33,034	65,067	4,354	6,828	11,182
CAGR (2018-20)	-3.5%	-2.2%	-2.9%	-9.3%	-5.8%	-7.6%	-5.9%	-1.6%	-3.4%
CAGR (2016-20)	-4.0%	-1.2%	-2.7%	-2.7%	1.3%	-0.7%	-10.9%	-2.4%	-6.2%
Johor									
2017	80,354	90,353	170,707	9,359	8,287	17,646	1,839	1,468	3,307
2018	70,178	89,753	159,931	10,707	10,966	21,673	1,676	975	2,651
2019	59,836	79,771	139,607	10,677	9,601	20,278	1,305	940	2,245
2020	49,607	70,208	119,815	8,734	8,516	17,250	1,037	802	1,839
CAGR (2018-20)	-15.9%	-11.6%	-13.4%	-9.7%	-11.9%	-10.8%	-21.3%	-9.3%	-16.7%
CAGR (2016-20)	-16.8%	-11.3%	-13.8%	1.5%	-0.1%	0.7%	-16.5%	-12.9%	-15.0%

Future supply = incoming supply + planned supply. (Source: NAPIC)

- The future supply of residential properties in Johor is focused on landed properties. As at end of Q1 2021, the future supply of residential properties was 117,818 units, of which 74.5% (87,808 units) were landed properties. Of these landed properties, 62.1% were from Johor Bahru and Kulai.
- In 2018, the total approved investment manufacturing projects in Johor increased by 31.0% to RM31.40 billion, which comprised both foreign and domestic investment projects. This was mainly attributed to the increase in approved investment manufacturing projects in the other districts including Muar, Segamat, Kota Tinggi and Batu Pahat districts. A growing approved investment manufacturing projects will provide opportunities for industrial buildings. In 2019, approved investments in manufacturing projects amounted to RM11.46 billion, which would help stimulate economic activities to support commercial activities and consumer spending to drive demand for properties.
- In Johor, Johor Bahru and Kulai were the top two districts with the highest population density, residential property density, and approved investments for manufacturing projects. The relatively high population and residential property density would provide the base for demand in residential properties, while the relatively high approved investments in manufacturing projects would help stimulate economic activities to support commercial and industrial activities, and consumer spending to drive demand for properties.
- Johor was the fourth largest state/territory after Selangor, Kuala Lumpur and Sarawak in 2019 in terms of contribution to Malaysia's GDP. In 2019, Johor's GDP grew by 2.7% to RM 134 billion. The relatively large GDP of Johor compared to other states/territories will continue to be the driver of economic growth of Johor. This economic growth will in turn drive the demand for industrial, commercial and residential properties with flow-on effect to benefit the building construction industry for these property sectors.

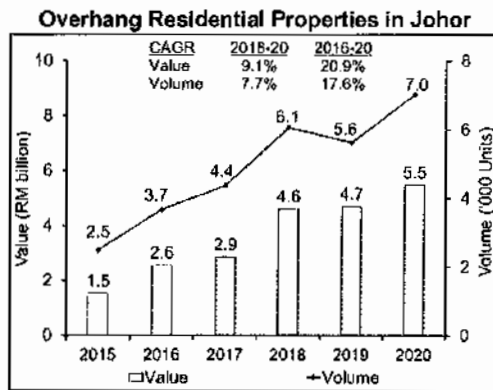
8. THE IMR REPORT (CONT'D)



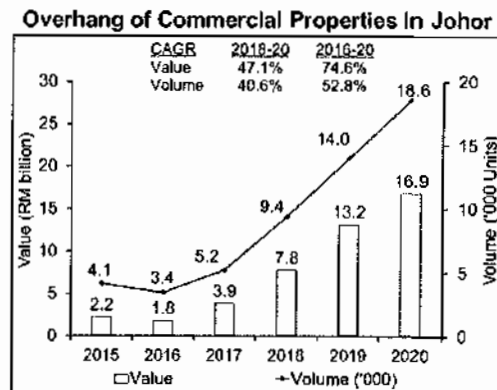
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4.5 Overhang Properties

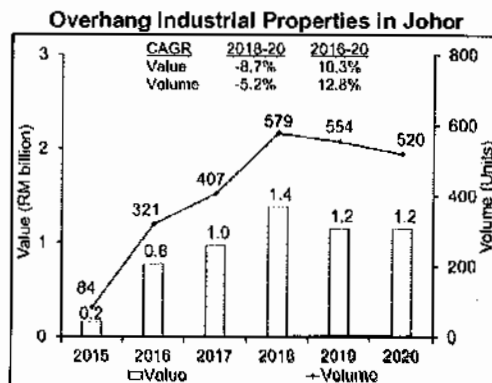
- Overhang properties are defined as properties which have been completed yet remained unsold for more than nine months after they were launched. A high level of overhang properties will likely dampen activities in building construction as developers may be discouraged from developing new properties until such time the overhang situation improves.



(Source: NAPIC)



- Between 2016 and 2020, overhang residential properties in Malaysia grew at a CAGR of 18.9% and 21.9% in terms of value and volume respectively. In 2020, condominiums and apartments collectively accounted for 51.9% of the total number of residential overhangs, followed by 2-3 storey terraced houses which accounted for 24.0% of the total number of residential overhangs in Malaysia. As at end of Q1 2021, Malaysia has 27,468 units (RM18.5 billion) of overhang residential properties, of which 56.3% were condominiums and apartments.
- Between 2016 and 2020, overhang commercial properties in Malaysia grew substantially at a CAGR of 44.6% and 35.3% in terms of value and volume respectively. Serviced apartments accounted for 72.3% of the total number of commercial overhangs, followed by shops and SoHo which accounted for 21.2% and 6.5% respectively in Malaysia. As at end of Q1 2021, Malaysia has 32,156 units (RM26.8 billion) of overhang commercial properties, of which 73.2% were serviced apartment.
- In 2020, Johor remained the state with the most overhang residential properties, accounted for 23.8% of Malaysia's total number of overhang residential properties or 7,030 units worth RM5.5 billion. The majority of the overhang residential properties in Johor were condominium/apartment units priced between RM500,001 and RM600,000. In 2020, overall, condominiums/apartments and terraced units were the leading factors of the overhang in residential properties, which accounted for 51.9% and 28.1% of the total Malaysia residential property overhang respectively. The property overhang in Johor was mainly contributed by serviced apartment. Overhang serviced apartment in Johor accounted for 72.1% of the total serviced apartment overhang in Malaysia, followed by Kuala Lumpur and Selangor which accounted for 19.9% and 5.7% in terms of value respectively. Overall, in Malaysia, serviced apartments priced between RM1.0 million and above, and RM600,001 and RM800,000 accounted for 30.4% and 29.8% of the total volume of services apartment overhang in 2020 respectively.
- In 2020, overhang of residential and commercial properties in Johor were mainly high rise properties, which represented 77.6% of total overhang residential and commercial properties in Johor. In Q1 2021, Johor has 74,324 units of overhang residential and commercial properties, of which 89.3% are high rise.
- In 2020, overhang industrial properties in Johor accounted for 37.7% and 52.8% of Malaysia industrial property overhang in terms of volume and value respectively. In 2020, 83.1% of the overhang industrial properties in Johor were priced above RM1 million. In Q1 2021, Johor has 500 units of overhang industrial properties with total value of RM1.0 billion.



(Source: NAPIC)

8. THE IMR REPORT (CONT'D)



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- Haily Group is involved in the construction of residential buildings and non-residential buildings including service apartments, shop lots and industrial properties.

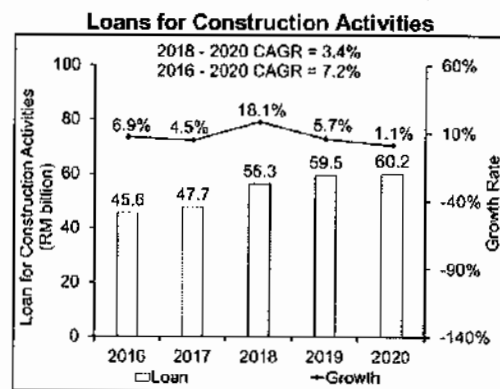
5. DEMAND DEPENDENCIES

5.1 Monetary and fiscal policies, and socio-economic factors

- Monetary and fiscal policies including interest rates, money supply, lending policies, balance of payments, and consumer price index, where low interest rates and favourable lending policies will stimulate development and purchases of properties. Government initiatives including 11th Malaysia Plan, Economic Transformation Programmes, Government Transformation Programmes, Corridors Transformation Programmes, and affordable housing schemes will stimulate investment and development of infrastructure, public facilities and amenities, properties and the demand for properties.

5.2 Availability of Loans

- Performance of the construction industry is dependent on the availability of loans to fund construction activities. Availability of loans are dependent on factors such as liquidity in the market, financial institutions' internal lending policies, Government and BNM's policies and guidelines. Between 2018 and 2020, loans for construction activities grew at a CAGR of 3.4% which provides cash liquidity for companies to carry out construction works. In Q1 2021, loans for construction activities grew by 2.3% compared to Q1 2020.



5.3 Government Initiatives

- The Malaysia government has implemented various affordable housing schemes that will benefit the construction industry. Haily Group has been involved in the building construction of affordable apartments under the Rumah Mampu Biaya Johor (RMBJ) programme which is eligible for Johor citizen with monthly household income between RM4,000 and RM10,000 for the purchase of houses priced between RM42,000 and RM300,000 under the RMBJ programme.
- In Budget 2021, the Government continued to promote home ownership through the following initiatives:
 - Extension of full stamp duty exemption on instruments of transfer and loan agreements for first time home buyers up to 31 December 2025;
 - Five-year extension of stamp duty exemption on loan agreements and instruments of transfer to rescuing contractors and original house purchasers for abandoned housing projects that are certified by the Ministry of Housing and Local Government;
 - RM1.2 billion provision for the construction of houses for the low income group. This includes the construction of affordable housing under the People's Housing Program (PPR), People's Friendly Home (RMR) and Malaysia Civil Servants Housing (PPAM) programmes, as well as maintenance and upgrade of old houses and those that are damaged by natural disasters.
- Following the enforcement of MCO to contain the spread of COVID-19, several Economic Stimulus Packages were introduced by the Government to facilitate economic recovery. Some of the strategies tabled in the Economic Stimulus Package include the following:
 - Allocation of RM2 billion for the implementation of small infrastructure repair and upgrading projects nationwide especially in rural areas which commenced in April 2020. This includes infrastructure projects in Felda and other areas as well as upgrading of dilapidated schools in Sabah and Sarawak and the Perumahan Rakyat Termiskin;
 - Allocation of RM2 billion for road improvements, upgrading of dilapidated schools in Sabah and Sarawak, cleaning houses of worship and police stations as well as upgrading tourism facilities that will benefit contractors registered with CIDB from Grade 1 to Grade 4; and
 - Continuation of the implementation of projects allocated in the Budget 2020 including ECRL, MRT2, and the National Fiberisation and Connectivity Plan (NFCP).

8. THE IMR REPORT (CONT'D)



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6. COMPETITIVE ANALYSIS

6.1 Factors of competition

- The construction industry operates within a free enterprise environment where supply, demand and pricing of products and services are mainly determined by market forces rather than under Government's control. As such, some of the key competitive forces faced by operators within the construction industry in Malaysia are as follows:
 - Number of operators in the industry:** The number of operators affect the intensity of competition. Operators must register with CIDB from Grade 1 to Grade 7. Each grade has prequalifying conditions and the maximum value of projects operators are allowed to carry out. Grade 7 has the most stringent conditions with no limit on project value. As of 8 June 2021, there were a total of 123,595 building contractors of all grades, while there were 8,675 Grade 7 building contractors in Malaysia. In Johor, there were 702 Grade 7 building contractors. Haily Group is a CIDB Grade 7 building construction contractor.
 - Number and value of construction projects available:** The size of the construction market relative to the number of operators in the market has a bearing on competitive intensity. A large and growing construction market would better support and provide growth to operators in the market. In 2020, the value of construction work completed for the residential and non-residential sectors in Johor amounted to RM3.8 billion and RM3.4 billion respectively. Between 2018 and 2020, the CAGR of the total value of construction work completed in Johor declined by 34.6% due to measures taken to contain the COVID-19 pandemic. According to Bank Negara Malaysia, the construction industry is expected to recover and grow by 13.4% in 2021.
 - Track record, reputation and financial strength of operators:** Operators with an established track record would be in a stronger position to secure contracts. Financial strength is important as operators must have sufficient financial resources to provide performance bonds and sufficient working capital to carry out construction activities.

6.2 Industry Players

Below is a selection of the public listed companies that are involved in the building construction industry in Malaysia, and Haily Group. The list is sorted in descending order of Group revenue.

Company Name	Project Location		FYE ⁽¹⁾	Group Rev ⁽²⁾ (RM mil)	Segment Rev ⁽³⁾		Group GP ⁽²⁾ (RM mil)	Group NP ⁽²⁾ (RM mil)	GP Margin (%)	NP Margin (%)
	Johor	Other States			(RM mil)	(%)				
WCT Holdings Bhd ⁽⁴⁾	√	√	Dec'20	1,704.6	1,253.0	73.5	283.1	-179.6	16.6	-10.5
Sunway Const. Grp. Bhd ⁽⁵⁾	√	√	Dec'20	1,552.7	901.4	58.1	270.2	73.7	17.4	4.7
Kerjaya Prospek Group Bhd ⁽⁶⁾	√	√	Dec'20	811.0	807.8	99.6	134.5	90.8	16.6	11.2
Vizione Holdings Bhd ⁽⁷⁾	√	√	Nov'20 ⁽⁷⁾	476.0	402.9	84.6	33.8	-8.9	7.1	-1.9
AME Elite Consortium Bhd ⁽¹⁰⁾	√	√	Mar'20	380.3	185.2	48.7	120.3	68.6	31.6	18.0
GDB Holdings Bhd ⁽¹¹⁾		√	Dec'20	362.8	n.a.	n.a.	42.0	24.5	11.6	6.8
Inta Bina Group Bhd ⁽⁶⁾	√	√	Dec'20	280.3	n.a.	n.a.	26.6	8.1	9.5	2.9
TCS Group Holdings Bhd ⁽⁹⁾		√	Dec'20	242.6	n.a.	n.a.	36.6	16.2	15.1	6.7
Gagasan Nadi Cergas Bhd ⁽¹²⁾	√	√	Dec'20	206.9	163.1	78.8	28.9	11.2	13.9	5.4
Rimbaco Group Global Ltd ⁽¹³⁾		√	Oct'20	180.3	n.a.	n.a.	22.7	6.2	12.6	3.4
Haily Group	√		Dec'20	166.1	163.9	98.6	27.5	10.4	16.5	6.3
Sycal Ventures Bhd ⁽¹⁵⁾	√	√	Mar'21 [^]	59.9	32.2	53.7	9.4	0.4	15.7	0.6
Mercury Industries Bhd ⁽¹⁴⁾	√	√	Dec'20	10.5	9.6	91.4	N.A	-4.1	N/A	-39.3

FYE=Financial Year Ended; Rev=Revenue; GP=Gross Profit; NP=Net Profit; Bhd=Berhad; Ltd=Limited; n.a.=not applicable; N/A =not available; [^]Listed on Bursa Securities between 2018 and 2020. [^] = based on unaudited financial statements announced on Bursa Malaysia Berhad's website. Note: All companies above are listed on Bursa Securities except for Rimbaco Group Global Ltd, a construction company in Malaysia which is listed on the Hong Kong Stock Exchange (HKSE). (1) Latest available financial information; (2) Derived from construction activities and may include other activities; (3) Segment revenue from construction in terms of revenue contribution and proportion of total Group revenue; (4) Involved in construction of residential, commercial and purpose-built properties. Other activities include property development, investment and management; (5) Sunway Construction Group Berhad. Involved in construction of residential, commercial, purpose-built, and industrial properties. Other activities include manufacture of precast concrete; (6) Involved mainly in construction of residential and commercial properties. Others include manufacturing of light fittings, furniture, kitchen cabinetry and related products, property development, as well as investment holdings; (7) Involved in construction of residential, commercial, purpose-built, and industrial properties. Other activities include infrastructure construction and property development. Financial statements were based on 18-month FYE 30 November 2020.; (8) Involved in construction of residential and commercial properties; (9) Involved in construction of residential, commercial and

8. THE IMR REPORT (CONT'D)



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purpose-built buildings, and civil and structural works; (10) Involved in construction of industrial properties. Other activities include property development, engineering services, and property investment and management services; (11) involved in construction of residential, commercial and purpose-built properties; (12) Involved in construction of residential, commercial and purpose-built properties. Other activities include concession and facility management, utility, property development and others; (13) Listed on HKSE in 2020. Involved in construction of residential, commercial, purpose-built and industrial properties; (14) Involved in construction of residential and commercial properties. Others include trading of building materials and investment holding; (15) Involved in construction of residential, commercial and purpose-built properties. Other activities include property development, manufacturing and trading of building materials.

The above list of companies was selected based on public listed companies mainly involved in building construction including companies listed between 2018 and 2020 and/or involved in at least one building projects in Johor. The methodology used to compile the above list was based on secondary research, such as annual reports, company websites and Bursa Securities. As it is not practicable to list all companies, the above companies are used to provide an indication of the performance of companies involved in the construction of residential and non-residential properties, and is not exhaustive.

6.3 Market Size and Share

- Market size of the building construction industry and the share of Haily Group is estimated below:

Building Construction	Market Size in 2020		FYE 2020 Revenue Haily Group RM million ⁽²⁾	Market Share in 2020	
	Malaysia RM million ⁽¹⁾	Johor RM million ⁽¹⁾		Haily Group in Malaysia ⁽³⁾	Haily Group in Johor ⁽³⁾
Total	60,735	7,283	164	Less than 1%	2%
Residential	29,609	3,840	145	Less than 1%	4%
Non-residential	31,127	3,443	19	Less than 1%	1%

(1) Market size is based on value of building construction work completed in Malaysia or Johor (Source: CIDB); (2) Source: Haily Group; (3) The market share of Haily Group was computed by dividing Haily Group's segmental revenue by the respective construction segment's market size.

7. INDUSTRY CONSIDERATION FACTORS

- The construction industry is dependent upon, among others, the recovery of Malaysia's economy from the on-going COVID-19 pandemic, and other local and global factors. Considerations also include performance of the Malaysia property market predicated by supply, demand and overhang conditions, and socio-economic factors such as interest rates, unemployment rates, lending policies, business confidence and consumer sentiments.
- According to BNM, Malaysia's economy is expected to gradually improve in 2021 underpinned by key growth drivers including continued improvement in global growth, trade and technology cycle, reopening of the domestic economy, improvement in income prospects and sentiments to support consumption spending, and stimulus measures including fiscal, monetary and financial. This will be supported by growth factors including large public projects such as MRT, and high multiplier smaller projects, as well as recovery on commodity production. Some of the construction related activities that are expected to contribute to the improvement in Malaysia's economy include the continuation of large-scale infrastructure projects namely MRT2, LRT3, Pan Borneo Highway, East Coast Rail Link, Johor Bahru-Singapore rapid transit system, National Fiberisation and Connectivity Plan, ramp-up of upstream and downstream oil and gas projects, and power generation projects. This will be supported by the Malaysian Government's economic stimulus packages including the Prihatin Rakyat Economic Stimulus (PRIHATIN) with an allocation of RM250 billion, Prihatin SME Economic Stimulus Package (PRIHATIN SME+) with an allocation of RM10 billion, Short-Term Economic Recovery Plan (PENJANA) with an allocation of RM35 billion and PRIHATIN Supplementary Initiative Package (KITA PRIHATIN) with an allocation of RM10 billion, Perlindungan Ekonomi dan Rakyat Malaysia (PERMAI) assistance package with an allocation of RM15 billion, People and Economic Strategic Empowerment Programme (PEMERKASA) with an allocation of RM20 billion and the PEMERKASA Plus with an allocation of RM40 billion. The economic stimulus packages will facilitate continuing activities in the construction industry, which will benefit operators within the industry including Haily Group.
- In addition, the Twelve Malaysia Plan 2020 to 2025 (12MP), which is currently in preparation, is expected to provide a framework for Malaysia's socioeconomic development and contribute towards a prosperous society over the next decade. The 12MP, which is based on shared prosperity incorporates three initiatives, namely economic empowerment, environmental sustainability and social re-engineering which will be driven by sources of growth including, among others, digital economy, smart construction, affordable housing, seamless transport, renewable energy, green technology and integrated regional development, may provide opportunities for Haily Group.

9. RISK FACTORS

Notwithstanding the prospects of our Group as outlined in this Prospectus, you should carefully consider, in addition to the other information contained elsewhere in this Prospectus, the following risk factors that may have a significant impact on the future performance of our Group before investing in our Shares.

If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers.

9.1 RISKS RELATING TO OUR BUSINESS OPERATIONS

9.1.1 Our business requires us to obtain and hold CIDB certificate of registration and the failure to procure this certificate could significantly hinder our business

We are required to obtain and hold a valid certificate of registration (“CIDB Registration Certificate”) issued by CIDB for our business operations. One of the major requirements is the mandatory registration as a contractor with CIDB under the LPIP Act before we carry out or undertake any construction work. Under the LPIP Act, there are 7 specified registration grades for each category and a contractor is not permitted to tender for any construction project which exceeds the value of the construction works specified in the registration grade.

Our subsidiary, Haily Construction is currently registered as a Grade 7 contractor with CIDB. As a Grade 7 contractor, Haily Construction is able to tender for construction projects in Malaysia without any limitation to the value of construction works.

In order to retain the CIDB Registration Certificate, Haily Construction must comply with the restrictions and conditions imposed under the LPIP Act, CIDB or government authorities. Failure to comply with such restrictions and conditions, may impose a risk of suspension and revocation on Haily Construction’s CIDB Registration Certificate. The CIDB Registration Certificate is subject to renewal on a periodic basis and to CIDB’s review. Delay or refusal may also occur during the renewal of the CIDB Registration Certificate upon its expiry.

In addition, any new laws, regulations or changes imposed by CIDB or the relevant authorities on the standards of compliance or conditions imposed from time to time, may also result in us, incurring additional resources to comply with such new or revised standards or conditions. In the event of any new and revised standards of compliance or conditions are imposed, there is no assurance that we will be in a position to comply with such new or revised standards or conditions and consequently, may delay the completion of our projects.

Failure to obtain or renew the CIDB Registration Certificate, or in any event such certificate is suspended or revoked, could result in the suspension or disruption of our core business operations, thereby our business activities, reputation and financial prospects could also be materially and adversely affected.

On 1 September 2020, Haily Construction was compounded with a fine of RM8,000 by CIDB for failure to ensure the construction site supervisor/skilled construction worker is accredited and certified by CIDB to carry out the construction works at PTD 158757, Mukim Tebrau, Johor Bahru, Johor on 4 March 2020 in accordance with Section 33A(6) of the LPIP Act. The fine was paid on 17 September 2020. Please refer to Sections 7.11 and 7.24.4 of this Prospectus for further details.

As at the LPD, we have not experienced any non-renewal, suspension or revocation of our CIDB Registration Certificate. However, there can be no assurance that we are able to obtain the renewal of our CIDB Registration Certificate in the future.

9. RISK FACTORS (CONT'D)

9.1.2 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 that 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.

Between January and June 2021, our Group secured 6 new contracts, including 3 new residential building construction projects, namely the 122 DSTH Bandar Putra Project with a total contract value of RM20.28 million, 217 DSTH Taman Mutiara Maju Project with a total contract value of RM38.08 million and 206 DSTH Gelang Patah Project with a total contract value of RM51.46 million, and 3 new non-residential building construction projects, namely the 147 DSTV Aurora Sentral Project for RM45.08 million, Aurora Sentral Clubhouse Project for RM6.74 million and SJK (C) Sim Mow Yu Project for RM6.65 million. As at 10 June 2021, our total unbilled contract value of our on-going construction projects based on contracts secured is of RM249.58 million and the Group expects that the majority of the unbilled order book to be recognised in FYE 2021 and FYE 2022. Please refer to Section 12.8 of this Prospectus for further details. However, there can be no assurance that we will be able to maintain such level of order in the future.

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.

9.1.3 Our contracts may be subject to early termination

In line with the construction industry practice, our contracts with customers ordinarily contain clauses which could give rise to a right of early termination by our customer or us, in the event of, amongst others, suspension of works, our persistent failure to comply with the architect's instruction or the terms and conditions contained in the contracts, failure for payment of our works as per the payment schedule, and in situations of insolvency faced by our customers.

In the event we experience any early termination of our contracts, the loss of revenue arising from such termination, may impact our financial performance which would in turn, have a material adverse effect on our financial conditions and business prospects. In the event, such termination is caused by us, we may be susceptible to the further risks of legal claims, liabilities and compensation to our customers. If such termination is caused by our customers, we may be compensated on any direct or indirect loss or damage caused by our customers. Nevertheless, such termination of contract either by our customers, will likely cause a negative impact on our financial conditions and reputation.

9. RISK FACTORS (CONT'D)

As at the LPD, we have not experienced any early termination of any contracts with our customers. However, on 21 September 2020, our Group has entered into the St Marco Settlement Agreement (which was subsequently supplemented by a supplementary agreement dated 15 January 2021) with Casa Bayu Idaman Sdn Bhd and Pembinaan Intra Vista Sdn Bhd for the mutual termination of 174 DSTH St Marco Park (Phase 2) Project. Please refer to Section 12.5(xi)(a) and Section 15.5(a) of this Prospectus for more details.

There can be no assurance that our contracts with other customers will not be subject to early termination in the future.

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

Construction projects are subject to certain timelines and budgets. Any delays in the timeline of a project will usually result in project cost overruns, attract negative publicity and result in legal uncertainties such as potential liquidated damages claims from our customers.

The timely completion of projects undertaken by us is dependent on many external factors inherent in the construction industry including, amongst others, the timely receipt of requisite licenses, permits or approvals from regulatory authorities, equipment and labour, availability of financing and satisfactory performance of any 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.

Further, the Government had implemented the MCO and subsequently the CMCO as a preventive measure in response to the outbreak of COVID-19. Due to the MCO and CMCO, we have suspended all construction activities from 18 March 2020 and officially resumed full operations on 18 May 2020. As a result of such closure, our construction activities were temporarily halted and this caused delay in the timeline for certain projects. We have applied for an extension of time ("EOT") from our customers for such projects. Please refer to Sections 7.5.9.2 and 7.17(a) of the Prospectus for further details on the status of the application for the EOT for such projects.

As at the LPD, we received written confirmations for EOT for 13 out of 14 of our completed and on-going building construction projects from our customers or architects for our completed and on-going contracts that have been delayed by the work stoppages and slowdown during the MCO and CMCO periods. As at the LPD, there is no dispute brought against us by our customers in respect to the delay of the initial completion date for the projects.

On 28 May 2021, the Government announced the imposition of a Full MCO 3.0. The Full MCO 3.0 started with a full lockdown from 1 June 2021 to 14 June 2021 and further extended to 28 June 2021, where all sectors were not allowed to operate during this period except for those in the essential economic and service sectors.

Under the Full MCO 3.0, the construction industry was not regarded as an essential service. In this respect, all our on-site construction activities are suspended. This may result in delays for completion of our on-going projects, and we will seek EOT for our projects.

9. RISK FACTORS (CONT'D)

In the event the request for EOT is rejected by our customers, we may be subject to potential LAD claims based on the terms of the letters of award. As at the LPD, our maximum exposure with regards to the LAD is RM0.45 million.

In the event we are subject to any LAD claims, our financial performance will be materially and adversely affected as well as, attracting negative publicity along with such claims. However, if such EOT are approved, we are unable to provide the assurance that there would be no further delays in relation to the extended completion date as there are many uncertainties in terms of the duration of the outbreak of COVID-19 and its impact.

As at the LPD, we have not experienced any material adverse financial impact from delays in completion of construction projects undertaken by us. During the Financial Years Under Review, construction projects undertaken by our Group were completed within the original contract period or any extended contract period as approved by our customers. In view of the COVID-19 pandemic, there is no assurance that all our projects will complete on time. In the event of a delay in completion, our business and financial performance may be adversely affected.

9.1.5 The occurrence of a contagious disease or any other serious public health concerns in Malaysia could affect the Group's business, financial condition, results of operations, performance and prospects

In recent years, there have been outbreaks of various contagious diseases as well as other serious public health concerns that had a significant adverse impact upon the countries in which such outbreaks occurred. In 2019, there was an outbreak of COVID-19 in the People's Republic of China which subsequently spread to multiple countries globally, including Malaysia. This has negatively impacted the Malaysian economy as it has affected customer sentiments, demand, traffic and spending patterns with the imposition of restrictions on travel and/or quarantines and/or any policies aimed at limiting public gatherings such as the cancellation of public events and closure of public areas and schools by the Government.

MCO Measures

The Government implemented a MCO effective from 18 March 2020, which resulted in the closure of all businesses, except those providing essential services. The construction industry was not regarded as an essential service. The MCO was uplifted and a CMCO was implemented on 4 May 2020 for the reopening of the Malaysian economy in a controlled manner, till 9 June 2020. Due to the MCO, we suspended our operations and all construction activities from 18 March 2020 to 3 May 2020 and officially resumed full operations on 18 May 2020.

All foreign workers are required to be tested free of COVID-19 before the commencement of work at the respective construction site is allowed. Since 4 May 2020, our management commenced the preparation works for the resumption of on-site operations including but not limited to arranging the compulsory COVID-19 swab tests for all our foreign construction site workers and the implementation of the standard operating procedures in accordance with the guidelines issued by MITI at all our construction sites. We then resumed operations fully since 18 May 2020 after the said preparation works were carried out. However, we are unable to assure that our employees are free from the risk of contracting COVID-19 after the commencement of work or in the future.

The CMCO was followed by the RMCO from 10 June 2020 to 31 August 2020 and further extended to 31 December 2020, all economic sectors were allowed to resume their operation provided they follow specified guidelines and the standard operating procedures imposed by the Government.

9. RISK FACTORS (CONT'D)

On 28 November 2020, the Minister of Human Resources Malaysia announced that targeted COVID-19 screening programme will be carried out for foreign workers from 1 December 2020 at targeted areas (i.e. Selangor, Kuala Lumpur & Labuan, Negeri Sembilan, Pulau Pinang and Sabah) in stages based on red zone location with high density of foreign workers. As at 11 January 2021, the state of Johor is not included as a 'target area'. However, due to the rise of COVID-19 cases, we are unable to assure that the screening programme on foreign workers will not be extended to Johor.

On 11 January 2021, the Government announced an imposition of the MCO 2.0 in Pulau Pinang, Selangor, Federal Territories (Kuala Lumpur, Putrajaya and Labuan), Melaka, Johor and Sabah from 13 January 2021 to 26 January 2021. On 21 January 2021, the Government announced the extension of MCO 2.0 from 26 January 2021 to 4 February 2021 for all States in Malaysia (except for Sarawak). On 2 February 2021, the Government announced that the MCO 2.0 was further extended for all States in Malaysia (except Sarawak) from 4 February 2021 to 18 February 2021.

Based on the Government's announcement on 16 February 2021, the MCO 2.0 was further extended from 19 February 2021 to 4 March 2021 for Kuala Lumpur, Pulau Pinang, Selangor and Johor. The State of Johor, Kedah, Kelantan, Negeri Sembilan, Pulau Pinang, Perak, Sarawak, Selangor and Kuala Lumpur have been subsequently placed under the CMCO, for the period from 5 March 2021 to 18 March 2021.

CMCO was extended in Johor, Kelantan, Pulau Pinang, Selangor, Kuala Lumpur, some states in Kedah and some states in Negeri Sembilan until 31 March 2021 and Sarawak until 29 March 2021. CMCO was further extended in Johor, Kelantan, Pulau Pinang, Selangor, Kuala Lumpur, some states in Kedah and some states in Negeri Sembilan for the period from 1 April 2021 to 14 April 2021 and for Sarawak for the period from 30 March 2021 to 12 April 2021.

The CMCO was subsequently extended up to 28 April 2021 in Johor, Kelantan, Pulau Pinang, Selangor, Kuala Lumpur and Sarawak and further extended to 17 May 2021 in Johor, Pulau Pinang, Selangor, Kuala Lumpur, Sabah and Sarawak.

On 4 May 2021, the Government announced on the re-imposition of the MCO 3.0 in certain districts of Selangor from 6 May 2021 to 17 May 2021 and subsequently on 5 May 2021, it was further extended to Kuala Lumpur and several localities including Johor Bahru, Kulai and Kota Tinggi in Johor, Taiping, Larut Matang and Selama in Perak and parts of Terengganu's Besut district from 7 May 2021 to 20 May 2021. On 10 May 2021, the Government announced the imposition of a nationwide MCO 3.0 from 12 May 2021 to 7 June 2021.

As the construction sector was allowed to operate during this period, we continued to operate according to guidelines and SOP.

On 28 May 2021, the Government announced the imposition of a three-phase nationwide lockdown (Full MCO 3.0). The three-phase nationwide lockdown started with a full lockdown from 1 June 2021 to 14 June 2021 and further extended to 28 June 2021, where all sectors were not allowed to operate during this period except for those in the essential economic and service sectors. Other control measures implemented included restrictions on the movement of people within Malaysia and internationally, and restrictions of business, economic, cultural, and recreational activities.

The second phase will be implemented if the first phase succeeds in reducing the number of daily COVID-19 cases, which will allow the reopening of some economic sectors that do not involve large gatherings of people and where physical distancing can be maintained. The second phase will last for four weeks after the first phase has ended. This will be followed by the third phase where nearly all economic sectors will be allowed to operate subject to strict SOP and restrictions on the number of people allowed to be physically present at workplaces.

9. RISK FACTORS (CONT'D)

Under the Full MCO 3.0, the construction industry was not regarded as an essential service. In this respect, all our on-site construction activities are suspended. Nevertheless, we noted that this is a temporary condition and we have on 2 June 2021 submitted our application to MITI for resumption of works which is still pending approval as at the LPD. Any decision from MITI will be issued via announcement(s) on Bursa Securities.

With the suspension of on-site construction activities during the first phase of the Full MCO 3.0 from 1 June 2021 to 14 June 2021 which was further extended to 28 June 2021, our Board is of the view that this will affect the progress of our on-going projects. While we will request for extension of time for completion of projects, this may result in delays in our billings and would materially affect our financial performance for FYE 2021.

As such, we are unable to provide assurance that our construction activities will not be affected, and the property market's demand will be resumed to the level prior to the outbreak of COVID-19. Our Group's financial performance may be affected due to the impact of the Full MCO 3.0 and/or any prolonged MCO conditions which may thereafter affect the schedule of delivery as agreed between our Group with our customers. Please refer to Section 7.17 of this Prospectus for further details.

Emergency Proclamation

In addition, the Yang di-Pertuan Agong proclaimed a state of emergency nationwide with effect from 11 January 2021 until 1 August 2021 as a proactive measure to curb the spread of the Covid-19 pandemic. As the construction sector is allowed to operate during this period, we continued to operate according to guidelines and SOP.

On 3 January 2021, one of our key senior management was tested positive for COVID-19. The said key senior management was asymptomatic and was under home quarantine from 3 January 2021 until 12 January 2021 and continued to work from home during this period.

As a precaution, our Company undertook the COVID-19 screening exercise for all foreign and local workers including subcontractors' workers at all our on-going project sites between 28 January 2021 and 4 February 2021. Following the screening exercise, 5 of our subcontractor's foreign workers were tested positive at one of our project sites. Please refer to Section 7.17(c) of this Prospectus for further details.

Following this, we had undertaken measures and steps to ensure the safety and health of our employees as set out in Section 7.17 (c) of this Prospectus. There was no material disruption to our business operations, and on-site construction works were not affected. As at the LPD and save as disclosed in this prospectus, none of our employees or our subcontractor's workers assigned to our projects are infected with COVID-19.

In the event any workers at our construction sites are tested positive or contracted COVID-19, we may be imposed with the obligations to close and/or immediately disinfect and sanitise the affected construction site in order to curb the spread of the virus, which would affect our business operations and consequently, may result in delay in completing our projects and subject us to risk of liquidated damages claims from our customers. As a result, our financial performance and business prospects may be materially and adversely affected.

In general, the impact of COVID-19 on our business, financial condition, result of operations performance and prospects are dependent on external factors outside of our Group's control and consequently is difficult to determine with certainty such as, the reimplementations of the MCO/CMCO, restrictions orders and public actions taken by the Government in response to curb the spread of COVID-19.

9. RISK FACTORS (CONT'D)

9.1.6 We are subject to the risk of defect liability claims from our customers

We warrant the work that we perform including, the works of our subcontractors and quality of our suppliers' construction materials. Our warranty comprises of specific performance warranty such as, amongst other, external paint work, defects in roof structure, aluminium and glazing and water proofing works which may run for up to approximately 5 and 20 years. We further extend a defects liability period which generally covers a period of 12 to 30 months from the date of the Certificate of Practical Completion.

During the defects liability period, we are liable for any repair work, reconstruction or rectification of any defects which may surface or be identified during this period at our own cost hence, increasing our construction costs for the respective projects. In the event such defects are material, our business and financial performance will be materially and adversely affected.

In an event of a defect liability claim, we may attempt to seek assistance or enforce the warranty claim against the relevant subcontractors and suppliers and we may from time to time, be required to perform the said rectification works prior to receiving the relevant compensation from our subcontractors or suppliers. If no corresponding claim can be asserted against a subcontractor/supplier or the amounts of the claim cannot be recovered in full or at all from the subcontractor/supplier or the retention sum retained from the subcontractor is insufficient, we may be required to bear some or all the cost of such claims, in which case, our profitability will be affected. As a result of this, our business, reputation and financial performance may be materially and adversely affected.

During the Financial Years Under Review and up to the LPD, we have not experienced any defect liability claim which has materially affected our business operations and financial performance. Furthermore, as at the LPD, there is no claim for any compensation and retention sum asserted by our customers against us in relation to any defect works performed by us or our subcontractors as well as, the quality of construction materials supplied by our suppliers. Nonetheless, there can be no assurance that in the future we will not be subject to material defects liability claims, which may have an adverse impact on our business operations and financial performance.

9.1.7 We are dependent on the services and quality of our subcontractors' and our consultants' works

We usually engaged 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.

9. RISK FACTORS (CONT'D)

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.

The subcontracted services accounted for approximately 62.59%, 62.02%, 58.54% and 64.71% of the total purchases of input materials and services for FYE 2017, FYE 2018, FYE 2019 and FYE 2020 respectively.

During the Financial Years Under Review and up to the LPD, we have not experienced any material complaint from our customers in respect of the services and quality of our subcontractors' and consultants' works and all the defect rectification works requested have been attended by our Group or our subcontractors in a timely manner.

9.1.8 Shortages of construction materials, fluctuation in construction materials 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.

As at the LPD, our supply chain is to a certain extent affected as certain suppliers of building materials such as trading companies were not able to operate, while others such as manufacturers of concrete and steel products were operating during the Full MCO 3.0. Nevertheless, this situation is expected to be temporary in nature as the suppliers have submitted or are in the midst of submitting their applications to the relevant authorities for approval to resume operations.

Despite that, any prolonged outbreak of COVID-19 or any other contagious disease in countries where the Group or its suppliers' products or raw materials are manufactured or sourced, may affect the Group's supply chain.

There may be material disruptions or delays in the schedule of delivery of the Group due to the quarantine of employees of the Group's suppliers and suspension of operations of the manufacturing plants.

The Group may experience shortage or delay in the supply of raw materials or products and this in turn may materially and adversely affect the Group's business and financial performance.

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 fluctuation and if, such materials are imported by our suppliers, will be subjected to foreign currency fluctuations. The prices of steel bars and concrete are subject to price fluctuations as a result of demand and supply conditions in the market.

9. RISK FACTORS (CONT'D)

Throughout the Financial Years Under Review and up to the LPD, we have experienced price fluctuations in our construction materials nevertheless, such price fluctuations had no material adverse effect on our financial performance. Concrete and steel bars are the main materials used in our building construction operations. Purchases of concrete and cement materials as well as steel based materials accounted for 23.77%, 19.58%, 22.32% and 16.74% of our purchases of input materials and services for FYE 2017, FYE 2018, FYE 2019 and FYE 2020 respectively. As these are the two main materials used in our construction operations, the purchase prices will affect our margin to a certain extent.

The average price of steel bars purchased by our Group increased by 1.72% decreased by 14.48% and increased by 7.68% in FYE 2018, FYE 2019 and FYE 2020 respectively. The average price of concrete purchased decreased by 3.22% and 3.06% in FYE 2018 and FYE 2019 respectively and increased by 2.16% in FYE 2020. In the event of any unfavourable fluctuations in the cost of these materials during the performance of our contracts, our overall project costs may increase. Further, such fluctuations in price of construction materials will affect the construction industry as a whole. However, there can be no assurance that such price fluctuations, which are beyond our control, would have no material adverse effect on our future financial performance.

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 and we assume the risk that the actual costs associated with our performance may be greater than anticipated. Our cash flows and profitability will be reduced if the actual construction costs to complete a contract exceed the original estimates.

In view of the above, our cash flows and profitability are dependent on our ability to accurately estimate the cost associated for 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 a lower profit margins than anticipated or losses if actual contract exceeds its estimates, and thereafter, would reduce our profitability, cash flows, liquidity and impact on our financial performance.

9.1.9 We are dependent on certain major customers

Certain of our major customers had contributed substantially to our combined revenue for the Financial Years Under Review, details are as follows:

Major customers ⁽¹⁾	% Revenue contribution			
	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Venice View Development Sdn Bhd	64.63	40.40	8.62	1.16
Meridin East Sdn Bhd	17.20	9.31	25.12	25.76
IJM Properties Sdn Bhd	3.82	11.95	0.93	(0.15)
Country View Resources Sdn Bhd	0.39	17.13	24.27	9.97
Pembinaan Intra Vista Sdn Bhd	-	-	13.34	6.53
Austin Senibong Development Sdn Bhd	-	-	2.61	22.15
Danau Homes Sdn Bhd	2.01	4.64	4.10	11.35
Gunung Impian Development Sdn Bhd	-	-	3.23	10.42
	88.05	83.43	82.22	87.19

9. RISK FACTORS (CONT'D)**Note:**

- (1) *Being major customers which have contribute 10% or more of our revenue for any one of the Financial Years Under Review. Further details of such major customers, the projects undertaken and their respective revenue contribution are set out in Section 7.18 of this Prospectus.*

Moving forward and based on our order book as at 10 June 2021, we will be dependent on certain major customers as 75.13% of our total unbilled contract value as at 10 June 2021 is expected to be derived from 4 major customers, details are as follows:

Major Customers	Projects	Expected completion date	% unbilled contract value as at 10 June 2021
Country View Resources Sdn Bhd	<ul style="list-style-type: none"> • 30 TSSD Taman Nusa Sentral Project; • 147 DSTV Aurora Sentral Project; • Aurora Sentral Clubhouse Project; and • Taman Nusa Sentral – Guardhouse and perimeter fencing Project 	February 2022 End of 2022 End of 2022 February 2022	21.74
Mandy Corporation Sdn Bhd	<ul style="list-style-type: none"> • 206 DSTH Gelang Patah Project 	January 2023	20.62
Danau Homes Sdn Bhd	<ul style="list-style-type: none"> • Taman Ungku Tun Aminah – Zone 13 Project • 30 SSSD Taman Ungku Tun Aminah – Zone 9 Project • 217 DSTH Taman Mutiara Maju Project 	September 2021 October 2021 October 2022	16.40
Austin Senibong Development Sdn Bhd	<ul style="list-style-type: none"> • 264 DSTH Bandar Jaya Putra Project; and • Bandar Jaya Putra Project 	August 2021 July 2022	16.37
			75.13

The 4 major customers above are expected to be significant contributors to our future revenue, accounting for 75.13% of our total unbilled contract value of RM249.58 million. Notwithstanding this, the proportion of our contract revenue from major customers may differ for each financial year depending on the duration and progress of the project undertaken with each of the major customer.

As a result of our dependency on certain of our major customers, we are exposed to the risks that such customers may cease to contract with us in the future or non-payment by such major customers. Our financial performance may be materially and adversely affected if we were to lose one or more of our major customers (or reduce the level of services provided to them) without capturing new customers to replace the loss of business, or if we were to encounter difficulties in collecting payments from these major customers, or if the development projects undertaken by our major customers are delayed or terminated.

Although we have not encountered any major disputes with our customers, there is no assurance that the current working relationship with our major customers will not deteriorate or that such major customers will continue to contract with us in the future.

9. RISK FACTORS (CONT'D)

9.1.10 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 Executive Directors 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 Executive Directors 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 Executive Directors 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. On 3 January 2021, we were informed that one of our key senior management was tested positive for COVID-19.

The said key senior management was asymptomatic and was under home quarantine from 3 January 2021 until 12 January 2021, and continued to work from home during this period. Please refer to Section 7.17(c) of this Prospectus for further details.

Throughout the Financial Years Under Review and up to the LPD, we have not experienced any loss of service of our Executive Directors or key senior management, which disrupted our business operations and financial performance. Nonetheless, there is no assurance that we will be successful in retaining our Executive Directors and key senior management or ensuring a smooth succession should any changes occur.

9.1.11 We are subject to workplace hazards and potential workmen's compensation claims and loss and damage to our machinery and equipment

Our construction business operations are susceptible to certain health and safety risks and our employees and subcontractors are exposed to potential hazards such as, contagious diseases, bodily injuries and loss of life due to the workplace accidents. We are also exposed to risk of loss and damage to our machinery and equipment arising from theft, improper usage and fire.

Any workplace accidents and general deterioration in our health and safety standards, could put our employees, contractors, subcontractors and/or the general public at risk as well as lead to significant liabilities and/or damage to our reputation.

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9. RISK FACTORS (CONT'D)

During the Financial Years Under Review, Haily Construction was compounded with a total fine of RM17,000 for non-compliances/ offences in relation to the FM Regulations as follows:

Projects	182 DSTH Taman Austin Duta Project ("Site A")	Indahpura Business Central (Phase 1) Project ("Site B")	30 SSSD Taman Ungku Tun Aminah - Zone 11D ("Site C")
Offences committed	2 offences committed on Site A resulting in a penalty of RM2,000	7 offences committed on Site B resulting in a penalty of RM13,000	2 offences committed on Site C resulting in a penalty of RM2,000
Description of offences committed	Failure to ensure periodic inspection is performed by a designated person on scaffolding and to obtain approval from the chief inspector for the design and drawings of the scaffolding erected.	Failure to ensure periodic inspection is performed by a designated person on scaffolding and other related offences related to scaffolding; Failure to keep the place of work free from construction materials, to use construction material certified by a professional engineer as structurally safe and failure to use specified wood; and Failure to ensure that working platform of Site B are equipped with suitable guard rails.	Failure to ensure that working platform of Site C are equipped with suitable guard rails and to ensure periodic inspection is performed by a designated person on scaffolding.

On 31 July 2019, Haily Construction was charged and subsequently issued a compound where a fine of RM5,000 was issued by the Session Court of Johor Bahru, for failure to lodge a report and notify DOSH within 7 days from the death of its sub-contractor's construction worker, in accordance to the Regulation 5(1)(a) of the DOSH Regulations 2004. Please refer to Sections 7.24.2 and 7.24.3 for more details on the abovementioned non-compliances with regard to the FM Regulations and DOSH Regulations 2004, respectively. The steps taken by our Group to address the said non-compliances are stated in Sections 7.24.2 and 7.24.3 of this Prospectus.

9. RISK FACTORS (CONT'D)**9.1.12 We cannot assure you that our insurance coverage is adequate for our operations**

We have purchased insurance policies for amongst others, the following and the total amount of key insurance coverage for the Financial Years Under Review are summarised in the table below:

Type of insurance	FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000
Contractors' all risks and workmen's compensation	70	101	252 ⁽¹⁾	167
Motor vehicles and personal injury	46	60	66	80
Foreign worker (SPIKPA)	3	2	1	1
Office Insurance	0	3	4	3
Burglary	18	0	2	0
Fire Secure	0	0	34	(20) ⁽²⁾
	137	166	359	231

Notes:

- (1) *We incurred higher contractors' all risks and workmen's compensation insurance in FYE 2019 due to insurance premiums paid for a higher number of new projects and extension of insurance coverage for Project Plentong High Rise Phase 2.*
- (2) *Arose from the refund of the insurance premium paid in respect of the fire secure policy which was cancelled prior to the maturity of the insurance policy. The cancellation of the fire secure policy was due to the handover of the site for Project Plentong High Rise Phase 2 in November 2019 which was prior to the maturity of the insurance policy in June 2020.*

We believe our current insurance coverage undertaken is adequate for our business and level of operations. Nonetheless, there can be no assurance that our insurance coverage would be adequate to cover the losses, damages or liabilities or to compensate the claims, which we may incur in the course of our business operations. To the extent that any such risks are uninsured, not covered under our insurance policies, or where the insurance protection is insufficient to cover such risks, we may have to bear such losses, damages or liabilities and consequently our business and financial performance may be materially and adversely affected. Further, there can be no assurance that such insurance policies will continue to be available on terms acceptable to us.

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9. RISK FACTORS (CONT'D)

9.1.13 We are subject to risks of legal, public liability claims, other disputes and negative publicity arising from our business operations

We may be subject to risks of legal proceedings against us for liquidated damages claims, public liability claims and other disputes arising from our business operations.

Additionally, the dispute resolution processes (such as, litigation) arising from the above claims or disputes may be costly and time consuming. Due to the uncertainties of dispute resolution proceedings, there can be no assurance that the outcome of any such dispute resolution will be in our favour. If the outcome of such dispute resolution is against us, there is no assurance that we will have sufficient funds or be in a position to make sufficient provisions for such liabilities.

Any negative publicity arising from such claims such as, negative media reports against us, may affect our reputation. Our reputation as a contractor may also be adversely affected if any negative publicity arises due to the quality of our projects, even though the events giving rise to the negative publicity may not progress into legal claims or disputes.

As such, these claims and disputes or any negative publicity arising from these claims and disputes, may materially and adversely affect our reputation, business, financial performance and future growth and expansion. Throughout the Financial Years Under Review and up to the LPD, there are no legal proceedings made against us by our customer, supplier and/or any third party. However, we are unable to provide assurance that no legal proceedings will be made against us in the future.

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9. RISK FACTORS (CONT'D)**9.1.14 We are subject to the credit risk of our counterparties**

If our customers fail to make timely or full payments to us or to release the retention sum upon the expiry of the defects liability period and the issuance of the Certificate of Making Good Defects ("CMGD") as pursuant to our contracts, our cashflow will be reduced and this may have an adverse impact on our financial performance.

Further, any 'contra' settlement made by our customers with properties instead of cash payments from their development may have a negative impact on our cashflow. During the Financial Years Under Review and up to the LPD, there were no 'contra' settlement made by customers with properties. Nevertheless, during the Financial Years Under Review, we received the following payments via set-off against purchase consideration of properties purchased by Haily Holdings instead of cash payments from the customer (i.e., Haily Holdings paid cash to Haily Construction for its purchase):

Property details	Name of Developer	Property value/ Transacted value			
		FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000
3 storey shop office - HSD 466866 PTD 196956, Johor Bahru	Venice View Development Sdn Bhd ("Venice View") ⁽¹⁾	1,221	-	-	-
Double storey terrace house held under HSD 567496 PTD 226101 Mukim Plentong, District of Johor Bahru, Johor	Meridin East Sdn Bhd ("Meridin East") ⁽¹⁾	415	-	-	-
Double storey terrace house held under HSD 567495 PTD 226100 Mukim Plentong, District of Johor Bahru, Johor	Meridin East	415	-	-	-
Total		2,051	-	-	-

Note:

(1) Venice View and Meridin East are subsidiaries of Mah Sing Group Berhad.

Please refer to Section 10.1 of this Prospectus for further details.

9. RISK FACTORS (CONT'D)

In 2019, we secured the 174 DSTH St Marco Park (Phase 2) Project with contract value of RM41.50 million from Pembinaan Intra Vista Sdn Bhd (“PIV”). This is for the construction of 174 units of 2-storey terrace house in Kulai, Johor. The project commenced construction in the same year of 2019 and was initially scheduled to be completed by November 2020. The total billing (including retention sum) for this project was approximately RM10.64 million based on construction works done till 21 August 2020. On 21 September 2020, Casa Bayu Idaman Sdn Bhd (“Casa Bayu” or “Developer”), PIV as the main contractor and Haily Construction as a sub-contractor entered into an agreement (which was subsequently supplemented by a supplementary agreement dated 15 January 2021) for the mutual termination of 174 DSTH St Marco Park (Phase 2) Project and the settlement of the outstanding work done till 31 July 2020 and retention sum for 93 DSTH St Marco Park (Phase 1) Project of approximately RM1.65 million, which sums up to approximately RM12.29 million for works performed in relation to the following construction projects:

- (i) 93 DSTH St Marco Park (Phase 1) Project; and
- (ii) 174 DSTH St Marco Park (Phase 2) Project.

(referred to as “St Marco Settlement Agreement”).

As security for the full repayment of approximately RM12.29 million by PIV to Haily Construction and the performance and observance of the terms and conditions of the St Marco Settlement Agreement, a director of Casa Bayu has executed a letter of guarantee and indemnity in favour of Haily Construction to undertake the payment of the amount guaranteed and the due performance of the guarantee. Please refer to Sections 12.5(xi)(a) and 15.5(a) for more details on the credit exposure and St Marco Settlement Agreement.

As the receivables are not covered by collateral or credit insurance, we are subjected to credit risks which could adversely affect our financial condition and performance. Notwithstanding this, there can be no assurance that payments from any of our counterparties will be received in full or on time. In the event of delayed, non-payment, or reduced payments, our cashflow may be materially and adversely affected. For the Financial Years Under Review and up to the LPD, we have not experienced any non-payment or reduced payments for such receivables from our customers.

9.1.15 Geographical concentration in the districts of Johor Bahru and Kulai in Johor

Since the commencement of our business in 2008 up to the LPD, our building construction projects were focused in the districts of Johor Bahru and Kulai in Johor. On 10 June 2021, we secured a new residential building construction project in Pontian. We will continue to carry out building construction jobs in Johor supported by our track record of 13 years.

Between January and June 2021, our Group secured 6 new contracts, including 3 new residential building construction projects, namely the 122 DSTH Bandar Putra Project with a total contract value of RM20.28 million, 217 DSTH Taman Mutiara Maju Project with a total contract value of RM38.08 million and 206 DSTH Gelang Patah Project with a total contract value of RM51.46 million, and 3 new non-residential building construction projects, namely the 147 DSTV Aurora Sentral Project for RM45.08 million, Aurora Sentral Clubhouse Project for RM6.74 million and SJK (C) Sim Mow Yu Project for RM6.65 million.

As at 10 June 2021, we have 18 on-going building construction projects and 2 civil engineering related construction projects with a total unbilled order book of RM249.58 million which are expected to be completed progressively between 2021 to 2023.

9. RISK FACTORS (CONT'D)

We are currently focusing our 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.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are exposed to the inherent risk in the construction industry

Our Group mainly serves private sector projects for residential and non-residential buildings. As we will continue to serve this sector, our business is subject to the inherent risks in the construction industry which includes, among others, the following:

- (i) General economic conditions, where a slowdown in the economy may cause the following:
 - increase in unemployment, low or no wage increases, reduction in consumer wealth and reduced consumer confidence resulting in reduced demand for property purchases, and lower consumer spending impacting on commerce and industries;
 - slowdown in commercial and industrial activities resulting in lower demand for commercial and industrial properties;
- (ii) Performance of the property market including property overhang where unsold properties in residential and commercial properties would slow down new property developments;
- (iii) Shortage of labour and increases in labour cost resulting in delays in construction and higher construction costs;
- (iv) Increase in cost of construction materials may result in lower margins for construction companies and higher priced constructions and buildings including residential, commercial and industrial properties as well as infrastructure and community projects;
- (v) Changes in lending policies and practices by financial institutions would affect property developers and infrastructure owners' ability to obtain adequate funds for construction, as well as affect the access to loans for the purchases of residential, commercial and industrial properties; and
- (vi) Government initiatives and budget allocation for infrastructure developments, which would stimulate business activities in the construction industry.

Furthermore, the increase in the number of unsold residential and commercial properties in Malaysia may adversely impact on new property developments which may ultimately affect the demand for construction services. The volume of unsold residential and commercial properties increased at a CAGR of 18.9% and 35.3% respectively, between 2016 and 2020. In 2020, Johor was the state with the most overhang residential properties, accounted for 23.8% of Malaysia's total number of overhang residential properties, while overhang industrial properties in Johor accounted for 37.7% of Malaysia's total number of overhang industrial properties (Source: IMR Report). Our business and financial performance may be adversely affected if the performance in the property market continues to be weighed down by oversupply conditions.

In the event of any unfavourable changes in conditions that govern or affect the construction industry, our financial performance may be adversely affected.

9. RISK FACTORS (CONT'D)

9.2.2 We are subject to competition from other construction companies

We are registered with CIDB under Grade G7 contractor which enables us to undertake contracts without any restrictions on the contract value. As at 8 June 2021, there was an estimated 702 Grade 7 building construction companies in Johor that are registered with CIDB. In 2020, we had a market share of 2% of the total building construction industry in Johor (Source: IMR Report). Generally, competition among building construction contractors will be somewhat moderated by operators with competitive advantages such as track record, reputation, design capabilities, quality and timely completion. If we are unable to remain competitive and build on our competitive advantages and key strengths going forward, our prospects and financial performance may be adversely affected.

Please refer to Section 7.4 of this Prospectus for our competitive advantages and key strengths and Section 8 of the Industry Overview for details on the competitive analysis.

9.2.3 We are subject to economic, social, political and regulatory risks in Malaysia

Any changes in the political, economic and regulatory conditions in Malaysia could adversely affect our financial performance. Our business is also susceptible to the risks of any outbreak of diseases that could result in localised epidemics or pandemics causing interruptions in our operations while adversely affecting our financial performance. Please refer to Section 9.1.5 of this Prospectus for further details on the adverse impact of the COVID-19 pandemic.

On 23 October 2020, the Government has gazetted the COVID-19 Act to reduce the impact of COVID-19 against businesses and individuals. Please refer to 7.17(d) of this Prospectus for further details in relation to the COVID-19 Act.

The COVID-19 Act (Extension of Operation) Order 2020 extended the date of operation for inability to perform contractual obligations from 1 January 2021 to 31 March 2021 and further extended for a period from 1 April 2021 to 30 June 2021 pursuant to the Temporary Measures for Reducing the Impact of Coronavirus Disease 2019 (COVID-19) (Extension of Operation) Order 2021. As such, any disputes in respect of any inability to perform any contractual obligations with or by our customers, suppliers, sub-contractors arising from construction related matters from 18 March 2020 to 30 June 2021 may be settled by mediation. However, in the event there is failure on any parties to the mediation to agree to the terms of the settlement agreement at the conclusion of any mediation, our Group may still end up pursuing the matter in the courts. Similarly, if there is any action filed against us by our customers, suppliers or sub-contracts, as the case may be, we may end up in defending the matter in court.

Notwithstanding the settlement reached between the parties by way of mediation, there is no assurance that the settlement will be in the best interest of our Group. As at the LPD, we do not have any cases settled or to be settled in accordance with the COVID-19 Act.

Changes in the political, social, economic and regulatory conditions could arise from, among others, changes in political leadership, risks of war or civil unrest, changes in import tariffs and related duties, regulatory structures and outbreak of diseases. Similarly, any global or regional economic downturn would also affect overall business and consumer confidence, sentiments as well as investments, which would subsequently affect the demand for our services. As a result, this may cause our customers to revise, defer, halt or abandon their development or expansion plans.

There can be no assurance that any adverse political, social, regulatory, economic developments or outbreak of diseases which are beyond our control, will not materially affect our financial performance or the performance of the construction industry in Malaysia.

9. RISK FACTORS (CONT'D)

9.2.4 We are dependent on labour supply

In general, the construction industry is a labour intensive industry, and given the shortage of local workers, the construction industry in Malaysia relies heavily on a continuous supply of foreign workers. In particular, our construction operations are dependent on our ability to secure an adequate supply of labour (both skilled and unskilled) to meet our project requirements, either through engaging subcontractors, or employing foreign workers. For cost efficiencies, we may from time to time engage subcontractors to reduce the need for our Group to employ and maintain a large workforce, particularly for construction operations.

Hiring of foreign workers in the construction industry is allowed by the Government, subject to certain conditions, which may change from time to time. In the event of changes to such conditions, such as, the freezing of hiring foreign workers of a certain nationality, the construction industry may face a shortage in the supply of foreign workers.

As at the LPD, our Group had 237 foreign employees which comprises of 235 construction workers and 2 site supervisors. There is a total of 16 foreign employees, whose permit have newly expired and are in the midst of renewal. Foreign employees whom are pending the renewed working permit will not be working and/or carrying out any work at the sites of the Group.

Due to the border closures arising from COVID-19 and freeze of entry of foreign workers, we may be subject to shortage of foreign workers in the event the working permits/ passes could not be renewed.

If we are unable to obtain an adequate supply of workers for any reason including, if there are any changes in Government policy on foreign labour intake and conditions as well as prolonged delays in obtaining the relevant accreditation and certification, our Group may face difficulty in maintaining sufficient workforce for our operations. This will in turn affect our ability to meet our delivery schedules and may result in delay of completion of our projects and subject us to the risk of liquidated damages claims from our customers.

In addition, any increases in minimum wage or any other additional costs imposed by the Government, from time to time, in relation to employment as well as efforts made to attract workers may also result in our increased costs and overheads. If we are unable to pass these additional costs on to our customers, our profitability and results of operations may be affected.

As such, there is no assurance that we will continue to be able to secure adequate supply of labour either through engaging subcontractors or renewing existing or hiring additional foreign workers to meet our project requirements.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 Our Promoters control a significant portion of our shares which may result in our Promoters being able to influence the outcome of certain matters requiring the vote of shareholders

Our Promoters, namely, Haily Holdings, See Tin Hai and Kik Siew Lee, collectively control approximately 73.00% of our enlarged issued share capital after the IPO. Consequently, our Promoters will generally be expected to, in the foreseeable future, have significant influence on the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting by law and/or by the relevant authorities.

9. RISK FACTORS (CONT'D)

9.3.2 There is no prior market for our shares

Prior to our IPO, there has been no public market for our shares. Accordingly, there can be no assurance that an active market for our shares will develop upon our Listing or, if developed, that such market will be sustained. Our IPO Price was determined after taking into consideration a number of factors including but not limited to our historical earnings, prospects and future plans and our financial and operating history. Hence, we cannot assure you that our IPO Price will correspond to the price at which our shares will be traded on the ACE Market upon or subsequent to our Listing or that an active market for our shares will develop and continue upon or subsequent to our Listing.

9.3.3 Our Share price may be volatile, which could result in substantial losses for investors subscribing for our shares

The market price of our shares may be highly volatile and could be subject to wide fluctuations in response to, among others, the following factors, some of which are beyond our control:

- (i) variation in our operating results;
- (ii) success or failure of our management in implementing business and growth strategies;
- (iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) changes in conditions affecting the industry, general economic conditions or stock market sentiments or other events or factors;
- (v) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Malaysia or anywhere else in the world;
- (vi) additions or departures of key management;
- (vii) fluctuations in stock market prices and volume; or
- (viii) involvement in litigation.

9.3.4 There may be a delay in, or termination of, our Listing

The occurrence of certain events, including the following, may cause a delay in, or termination of, our Listing:

- (i) the Underwriter exercise of its rights under the Underwriting Agreement to discharge itself of its obligations under such agreements;
- (ii) our inability to meet the minimum public spread requirement under the Listing Requirements of having at least 25.00% of the total number of our shares for which our Listing is sought being in the hands of at least 1,000 public shareholders holding at least 100 shares each at the point of our Listing; or
- (iii) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

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

9. RISK FACTORS (CONT'D)

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled and we or such other person who received the monies shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted, investors will not receive any IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

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

- (i) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (ii) our Listing is aborted other than pursuant to a stop order by the SC under Section 245(1) of the CMSA, a return of monies to our shareholders could only be achieved by way of a cancellation of share capital as provided under the Act and its related rules. Such cancellation can be implemented by the sanction of our shareholders by special resolution in a general meeting and supported by either (aa) consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or (bb) a solvency statement from the directors.

Nonetheless, our Board will endeavour to ensure compliance with the various requirements for our successful Listing.

9.3.5 Future sale or issuance of our shares could adversely affect our share price

Any future sale, issuance or availability of our shares can have an adverse effect on our share price. The sale of a significant amount of our shares in the public market after the IPO, or the perception that such sales may occur, could adversely affect the market price of our shares. These factors also affect our ability to raise funds from the issue of additional equity securities.

If our Promoters sell, or are perceived to sell, substantial amounts of shares in the public market following the expiry of the moratorium period, this may result in a dampening effect on our Share price.

9.3.6 We are a holding company and, as a result, are dependent on the flow of dividends from our subsidiaries to provide funds for payment of dividends on our shares

Our ability to pay dividends or make other distributions to our shareholders is not guaranteed. Our Company is a holding company and we conduct substantially all of our operations through our subsidiaries. Accordingly, an important source of our income, is the amount of dividends and other distributions that our Company receives from our subsidiaries. Consequently, our ability to declare and pay dividends are dependent on the financial performance of our subsidiaries. Please refer to Section 12.9 of this Prospectus for further discussion on dividend policy by our Company.

9. RISK FACTORS (CONT'D)

9.3.7 Our future fund-raising exercise may result in dilution of your shareholdings

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our client base and the need to maintain and expand our service offering. Thus, we may need additional capital expenditure for future expansions and/or investments. An issue of new shares or other securities to raise funds will dilute shareholders' equity interest and may, in case of a rights issue, require additional investments by shareholders.

9.3.8 Forward-looking/ prospective statements in this Prospectus may not be achievable

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and others are forward-looking in nature that are based on assumptions and subject to uncertainties and contingencies which may or may not be achievable.

Whether such statements would ultimately prove to be accurate depends on variety of factors that may affect our businesses and operations, and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such future prospective statements.

Although we believe that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such prospective statements or expectations will materialise.

As such, such prospective statements or expectations should not be regarded as a representation and warranty by our Group, Principal Adviser and other advisers that the plans and objectives of our Group will be achieved.

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10. RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to the exemptions, generally a “related party transaction” is a transaction entered into by a listed corporation or its subsidiaries which involves the interest, direct or indirect, of a related party. A “related party” is defined as a director, major shareholder or person connected with such director or major shareholder (including, a director or major shareholder within the preceding 6 months before the transaction was entered into) as per Rule 10.02 of the Listing Requirements. “Major Shareholder” means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company as per Rule 1.01 of the Listing Requirements.

Upon our Listing we may be required to seek our shareholders’ approval each time we enter into a material related party transaction in accordance to Rule 10.08 of the Listing Requirements. However, if the related party transaction can be deemed as a recurrent related party transaction, our Company may seek a general mandate from our shareholders to enter into these transactions without having to seek a separate shareholders’ approval each time and the interested person shall abstain from voting on resolutions pertaining to the respective transaction.

Under the Listing Requirements, related party transactions may be aggregated to determine the materiality if the transactions occurred within a 12 months period, are entered into with the same party or with parties related to one another of if the transactions involved the acquisition or disposal of securities or interests in one corporation/ asset or of various parcels of land contiguous to each other.

10.1 RELATED PARTY TRANSACTIONS

Save as disclosed below, there are no material related party transactions, existing or proposed, entered or to be entered into by our Group which involves the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them for the Financial Years Under Review and up to the LPD:

Transacting parties	Nature of relationship	Nature of transaction	Transaction Value				
			FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	1 January 2021 up to LPD RM'000
Haily Construction and Haily Holdings	Haily Holdings is our Promoter and substantial shareholder	(i) Rental expenses of Head Office, paid to Haily Holdings ⁽¹⁾ ;	-	120 (1.42% of our Group's PAT for FYE 2018)	240 (2.71% of our Group's PAT for FYE 2019)	240 (2.30% of our Group's PAT for FYE 2020)	120

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction Value				
			FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	1 January 2021 up to LPD RM'000
Haily Construction and Haily Holdings (Cont'd)	Haily Holdings is our Promoter and substantial shareholder (Cont'd)	(ii) Disposal of 5 condominium units bearing the postal address of #08-01, #08-02, #08-03, #08-03A and #03A-03 of Kondominium Mariamah, Jalan Mariamah, 80100 Johor Bahru, Johor ⁽²⁾	-	-	5,203 (11.82% of our Group's NA as at 31 December 2019)	-	-
		(iii) Rental expenses of a double storey semi-detached house bearing the postal address of No. 13, Jalan Duta 3/10, Taman Nusa Duta, 79150 Iskandar Puteri, Johor ⁽³⁾ ;	96 (0.77% of our Group's PAT for FYE 2017)	96 (1.14% of our Group's PAT for FYE 2018)	96 (1.08% of our Group's PAT for FYE 2019)	-	-
		(iv) Rental expenses of a double storey semi-detached house bearing the postal address of No. 15, Jalan Duta 3/10, Taman Nusa Duta, 79150 Iskandar Puteri, Johor ⁽⁴⁾ ;	96 (0.77% of our Group's PAT for FYE 2017)	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction Value				
			FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	1 January 2021 up to LPD RM'000
Haily Construction and Haily Holdings (Cont'd)	Haily Holdings is our Promoter and substantial shareholder (Cont'd)	(v) Revenue earned from the construction of the Head Office owned by Haily Holdings; and	2,284 (1.87% of our Group's revenue for FYE 2017)	2,605 (1.49% of our Group's revenue for FYE 2018)	-	-	-
		(vi) Settlement of retention sum totalling RM2,051,300 for construction works rendered by Haily Construction via 3 properties purchased by Haily Holdings at net selling prices, pursuant to a settlement agreement dated 6 June 2017 entered into between Haily Construction and Venice View Development Sdn Bhd ("Venice View") ("Settlement Agreement") ⁽⁵⁾	2,051 (5.40% of our Group's NA as at 31 December 2017)	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction Value				
			FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	1 January 2021 up to LPD RM'000
Haily Construction and Biao Construction Sdn Bhd ("Biao Construction")	<p>Yoong Woei Yeh is the CEO and Executive Director of Haily.</p> <p>He was a shareholder in Biao Construction and had disposed of his entire shareholding on 28 January 2019.</p>	<p>Consideration sum paid to Biao Construction as the sub-contractor for masonry works in relation to the following projects:</p> <p>(i) Project Plentong High Rise Phase 1;</p> <p>(ii) Project Plentong High Rise Phase 2;</p> <p>(iii) 116 DSTH Meridin East – Parcel 1E Project;</p> <p>(iv) 143 RMMJ Taman Nusa Sentral Project;</p> <p>(v) 66 TSCH Nusa Sentral – Project; and</p> <p>(vi) Taman Nusa Sentral – Guardhouse and perimeter fencing Project.</p>	2,568 (2.61% of our Group's cost of sales for FYE 2017)	2,480 (1.64% of our Group's cost of sales for FYE 2018)	-	-	-
Haily Construction and Zhen Ye Design ("Zhen Ye")	<p>Yoong Weoi Yuen is the sole proprietor of Zhen Ye.</p> <p>Yoong Woei Yeh and Yoong Weoi Yuen are siblings.</p>	<p>Consideration sum paid by Haily Construction to Zhen Ye for the appointment of Zhen Ye as the sub-contractor for the following projects:</p> <p>(i) Project Plentong High Rise Phase 2; and</p> <p>(ii) AME Dormitory Project.</p>	1,055 (1.07% of our Group's cost of sales for FYE 2017)	2,159 (1.42% of our Group's cost of sales for FYE 2018)	935 (0.69% of our Group's cost of sales for FYE 2019)	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Nature of relationship	Nature of transaction	Transaction Value				
			FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	1 January 2021 up to LPD RM'000
Haily Construction and Marketing Sdn Bhd ("Yon Marketing")	<p>Yoong Woei Yeh is the CEO and Executive Director of Haily.</p> <p>He was a shareholder and a Director of Yon Marketing. He resigned as a Director of Yon Marketing on 17 June 2019 and had disposed of his entire shareholdings in Yon Marketing on 1 July 2019.</p>	<p>Amount paid to Yon Marketing for the supply of building construction materials to Haily Construction.</p>	<p>273 (0.28% of our Group's total cost of sales for FYE 2017)</p>	<p>954 (0.63% of our Group's total cost of sales for FYE 2018)</p>	<p>1,001 (0.74% of our Group's total cost of sales for FYE 2019)</p>	-	-

Notes:

- (1) *The tenancy has a tenure of 3 years with an option to renew for a further extension of 3 years subject to, the tenant giving the landlord 1 month notice in advance. The rental rate of the renewal term is subject to the mutual agreement between the parties.*
- (2) *On 10 December 2019, Haily Construction and Haily Holdings had entered into a sale and purchase agreement in relation to #08-01, #08-02, #08-03, #08-03A and #03A-03 of Condominium Mariamah, Jalan Mariamah, 80100 Johor Bahru, Johor for a total cash consideration of RM5,202,800, for the disposal of the units to Haily Holdings. Haily Construction sold the said condominiums and the cash consideration was settled in FYE 2019.*
- (3) *The rental of this double storey semi-detached house was for a director's (namely, Yoong Woei Yeh) accommodation and provided as a benefit-in-kind. The tenancy expired on 31 December 2019 and subsequently, our Group has ceased to provide such benefit-in-kind to the director.*
- (4) *The rental of this double storey semi-detached house was for director's (namely See Tin Hai) accommodation and provided as a benefit-in-kind. The tenancy expired on 31 December 2017 and subsequently, our Group has ceased to provide such benefit-in-kind to the director.*
- (5) *Haily Holdings, the previous holding company of Haily Construction (prior to the Acquisition of Haily Construction) and current shareholder of Haily, had on 31 December 2016 entered into 3 separate sale and purchase agreements with Venice View and Meridin East Sdn Bhd (please refer to Section 9.1.14 of this Prospectus for further details) for the purchase of 3 properties.*

10. RELATED PARTY TRANSACTIONS (CONT'D)

Subsequently, on 6 June 2017, Haily Construction entered into the Settlement Agreement with Venice View where parties agreed that the retention sum totalling RM2,051,300 shall be fully utilised to set-off against the purchase price for the said 3 properties purchased by Haily Holdings. The sum of RM2,051,300 was paid to Haily Construction by Haily Holdings on 1 August 2019. The said arrangement for the settlement of the retention sum was deemed to be a related party transaction pursuant to Rule 10.02(j)(ii)(ee) of the Listing Requirements as it involved Haily Construction, Haily Holdings and Venice View.

Our Directors are of the opinion that the transactions as disclosed above were carried out on an arm's length basis and is the best interest of the Group, save for the following:

(i) Rental expenses of Head Office, paid to Haily Holdings

- (a) The Head Office is rented from Haily Holdings since 1 July 2018 for a monthly rental of RM20,000 per month (i.e., RM0.59 per sq.ft, RM240,000 per annum). The tenancy has a 3-year tenure, with an option to renew for a further extension of 3 years.
- (b) The rental charged by Haily Holdings is below the market rental rates. Based on an enquiry made with an independent valuer, the market rental rates for the Head Office shall be in the range of RM1.00 to RM1.20 per sq ft which sums up to the market rental of approximately, RM33,871 to RM40,645.20.
- (c) Although this related party transaction was not entered into on an arm's length basis, it has resulted in rental savings of approximately RM21,000 per month to the Group. The financial effects on Haily Group are lower rental expenses for the FYE 2018 and FYE 2019 of RM0.13 million and RM0.25 million respectively.
- (d) Based on the above, the Directors are of the opinion that this transaction is not to the detriment of the Group.
- (e) The Directors noted that the term of the tenancy is expiring on 30 June 2021 and the renewal of the said tenancy will be subject to terms to be mutually agreed between Haily Construction and Haily Holdings.
- (f) Nevertheless, the rental rate upon renewal shall be based on market rate, i.e., on arm's length basis.

(ii) Rental expenses of a double storey semi-detached house bearing the postal address of No. 13, Jalan Duta 3/10, Taman Nusa Duta, 79150 Iskandar Puteri, Johor, paid to Haily Holdings

- (a) The rental of this double storey semi-detached house was for Yoong Woei Yeh's (a Director) accommodation and provided as a benefit-in-kind. The tenancy expired on 31 December 2019 and subsequently, our Group ceased to provide such benefit-in-kind to the director.

10. RELATED PARTY TRANSACTIONS (CONT'D)

- (b) In view that the said tenancy had expired, our Group will no longer enter into such tenancy agreements with Haily Holdings and instead will be providing an allowance to the Directors which will form part of their remuneration.
- (c) There is no comparable information to ascertain the market rental rates for the rental of this exact type of property. As such, the additional financial effects are the rental expenses incurred of RM96,000 per annum for each of the Financial Years Under Review.

(iii) **Rental expenses of a double storey semi-detached house bearing the postal address of No. 15, Jalan Duta 3/10, Taman Nusa Duta, 79150 Iskandar Puteri, Johor, paid to Haily Holdings**

- (a) The rental of this double storey semi-detached house was for See Tin Hai's (a Director) accommodation and provided as a benefit-in-kind. The tenancy expired on 31 December 2017 and subsequently, our Group ceased to provide such benefit-in-kind to the director.
- (b) In view that the said tenancy had expired, our Group will no longer enter into such tenancy agreements with Haily Holdings and instead will be providing an allowance to the Directors which will form part of their remuneration.
- (c) There is no comparable information to ascertain the market rental rates for the rental of this exact type of property. As such, the financial effect is the additional rental expense incurred of RM96,000 for FYE 2017.

In addition to the above, our Directors also confirm that save and except for the rental arrangement of the Head Office between Haily Group and Haily Holdings and the appointment of Zhen Ye as the subcontractor for our Group's future projects which may continue and be recurrent in nature subsequent to the Proposed Listing (subject to further negotiation and assessment by the Audit and Risk Management Committee on the renewals), none of the related party transactions as disclosed herein will continue and subsist after the Proposed Listing.

Further, upon our Listing, our Group will put in place strict internal controls and compliance procedures, amongst others, our Directors through our Audit and Risk Management Committee will review the terms of all related party transactions before the transactions are entered into or any renewals relating to the same to ensure that all related party transactions are carried out on terms not more favourable to the related parties than those normally agreed terms with third parties and are also not to our detriment and to the detriment of our minority shareholders.

10.2 OTHER TRANSACTIONS

10.2.1 **Transaction which are unusual in their nature or conditions**

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party during the Financial Years Under Review and up to the LPD.

10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2.2 Outstanding loans and/or financial assistance made to or for the benefit of related parties

Save as set out below, there are no outstanding loans, including guarantees of any kind, or financial assistance made by our Group to or for the benefit of related parties during the Financial Years Under Review and up to the LPD:

Company Within Our Group	Interested Related Party	Nature of Transaction	Outstanding amount				
			FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	1 January 2021 up to LPD RM'000
Haily Construction	Haily Holdings is our Promoter and substantial shareholder	(i) Corporate guarantee given by Haily Construction to Public Bank Berhad for the credit facilities granted to Haily Holdings to finance the purchase of a property held under the title details of PTD 178533 HS(M) 3011, Mukim Pulai, District of Johor, State of Johor together with a double-storey semi-detached house known as 13, Jalan Duta 3/10, Taman Nusa Duta, Phase 4S, 79150 Iskandar Puteri, Johor.	1,154 (3.02% of our Group's NA as at 31 December 2017)	1,154 (2.79% of our Group's NA as at 31 December 2018)	1,154 (2.62% of our Group's NA as at 31 December 2019)	- ⁽¹⁾	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Company Within Our Group	Interested Related Party	Nature of Transaction	Outstanding amount				
			FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	1 January 2021 up to LPD RM'000
Haily Construction (Cont'd)	Haily Holdings is our Promoter and substantial shareholder (Cont'd)	(ii) Corporate guarantee given by Haily Construction to Public Bank Berhad for the credit facilities granted to Haily Holdings to finance the purchase of a property held under the title details of PTD 178534 HS(M) 3012, Mukim Pulai, District of Johor, State of Johor together with a double-storey semi-detached house known as 15, Jalan Duta 3/10, Taman Nusa Duta, Phase 4S, 79150 Nusajaya, Johor.	1,240 (3.26% of our Group's NA as at 31 December 2017)	1,240 (3.00% of our Group's NA as at 31 December 2018)	1,240 (2.82% of our Group's NA as at 31 December 2019)	-(1)	-
		(iii) Corporate guarantee given by Haily Construction to Public Bank Berhad for the credit facilities granted to Haily Holdings to finance the purchase of a property held under the title details of GRN 285815 Lot 58828, Mukim Pulai, District of Kulajaya, State of Johor and (ii) the construction of 2 units of double storey factory cum office building on the said land.	2,950 (7.74% of our Group's NA as at 31 December 2017)	2,950 (7.13% of our Group's NA as at 31 December 2018)	2,950 (6.70% of our Group's NA as at 31 December 2019)	-(1)	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Company Within Our Group	Interested Related Party	Nature of Transaction	Outstanding amount				
			FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	1 January 2021 up to LPD RM'000
Haily Construction (Cont'd)	Haily Holdings is our Promoter and substantial shareholder (Cont'd)	(iv) Corporate guarantee given by Haily Construction to Public Bank Berhad for the credit facilities granted to Haily Holdings to finance the purchase of a unit of service apartment held under the master title details of HS(D) 523535 PTB 24040, City of Johor Bahru, District of Johor Bahru known as Unit No. 15-09, Type C, V @ Summerplace, Johor Bahru, Johor.	419 (1.10% of our Group's NA as at 31 December 2017)	419 (1.02% of our Group's NA as at 31 December 2018)	419 (0.95% of our Group's NA as at 31 December 2019)	-(1)	-

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10. RELATED PARTY TRANSACTIONS (CONT'D)

Company Within Our Group	Interested Related Party	Nature of Transaction	Outstanding amount				1 January 2020 up to LPD RM'000
			FYE 2017 RM'000	FYE 2018 RM'000	FYE 2019 RM'000	FYE 2020 RM'000	
Haily Construction (Cont'd)	Haily Holdings is our Promoter and substantial shareholder (Cont'd)	(v) Corporate guarantee given by Haily Construction to Public Bank Berhad for the credit facilities granted to Haily Holdings to finance the purchase of a unit of service apartment held under the master title details of HS(D) 523535 PTB 24040, City of Johor Bahru, District of Johor Bahru known as Unit No. 15-10, Type C, V @ Summerplace, Johor Bahru, Johor.	403 (1.06% of our Group's NA as at 31 December 2017)	403 (0.97% of our Group's NA as at 31 December 2018)	403 (0.91% of our Group's NA as at 31 December 2019)	- ⁽¹⁾	-
		Total corporate guarantee	6,166 (16.18% of our Group's NA as at 31 December 2017)	6,166 (14.91% of our Group's NA as at 31 December 2018)	6,166 (14.00% of our Group's NA as at 31 December 2019)	- ⁽¹⁾	-

Note:

(1) The abovementioned corporate guarantees given by Haily Construction as security for Haily Holdings' fixed loan with Public Bank Berhad had been fully and effectively discharged on 29 September 2020.

10. RELATED PARTY TRANSACTIONS (CONT'D)

Notwithstanding to the above, See Tin Hai and Kik Siew Lee, being our Promoters and substantial shareholders and See Tin Hai, Yoong Woei Yeh and See Swee Ling, being our Executive Directors have extended personal guarantees for banking facilities, hire purchase facilities and a building construction project (namely 90 DSTH Meridin East – Parcel 1D Project) procured by our Group as follows:

Bank(s)/ Customer	Purpose of Guarantee	Guarantor(s)	Total Guaranteed Amount RM'000
United Overseas Bank (M) Berhad	For the general and blanket contract financing lines and revolving credit granted to the Group	See Tin Hai, Kik Siew Lee, Yoong Woei Yeh, See Swee Ling	13,000
Hong Leong Islamic Bank Berhad	For the trade financing, revolving contract financing line and cashline financing granted to the Group	See Tin Hai, Kik Siew Lee, Yoong Woei Yeh, See Swee Ling	46,000
Public Bank Berhad	For the multiple hire purchase facilities granted to the Group	See Tin Hai	430
Meridin East Sdn Bhd	For the due performance of a building construction project known as 90 DSTH Meridin East – Parcel 1D Project granted to the Group	See Tin Hai, Kik Siew Lee	593

In conjunction with the Listing, the respective banks have agreed to discharge the said personal guarantees upon our successful Listing. In view of this, Haily Construction has appealed to United Overseas Bank (M) Berhad, Public Bank Berhad and Hong Leong Islamic Bank Berhad to discharge the personal guarantees prior to the submission of the registrable Prospectus to the SC, instead of upon the successful Listing of our Company. United Overseas Bank (M) Berhad, Public Bank Berhad and Hong Leong Islamic Bank Berhad have replied to our Group on 17 September 2020, 28 September 2020 and 16 October 2020 respectively, maintaining their decision to allow the discharge of personal guarantees upon our successful listing. In relation to the personal guarantees extended to our Group for the 90 DSTH Meridin East – Parcel 1D Project, our customer will release the personal guarantees upon the issuance of the Certificate of Making Good Defects.

Our Group expects the discharge of the above-mentioned personal guarantees to be completed within 6 months upon the listing of our Company.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.3 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.3.1 Audit and Risk Management Committee review

The Audit and Risk Management Committee reviews related party transactions and conflict of interest situations that may arise within our Group including any transaction, procedures or course of conduct that raises questions of management integrity.

The Audit and Risk Management Committee will submit an annual report to the Board summarising the Audit and Risk Management Committee's activities during the financial year and the related significant results and findings.

10.3.2 Our Group's policy on related party transactions

Related party transactions by their nature, involve conflict of interest between our Group and the related parties with whom our Group has entered into such transactions. Some of the Directors of our Group are also Directors and/or shareholders of the related parties of our Group, as disclosed in this Prospectus. Any such related party transactions may individually and in aggregate give rise to potential conflicts of interest. It is the policy of our Group that all related party transactions in the course of business are made at an arm's length and at a normal commercial term which is not more favourable to the related party than those available to the public and these terms are not detrimental to the other shareholders of the Company who are not part of the transaction.

In addition, we have adopted a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situation, to comply with the Listing Requirements and adhere to the best extent possible with the guidance principles as set out in MCCG. The procedures which may form part of the framework including, amongst other things, the following:

- (i) Identification process
 - (a) Finance Department shall ensure proper documentation for all the related party transactions ("RPT") and recurrent related party transactions ("RRPT"). There should be proper segregation of processes for the preparation of documents, verification and approval.
 - (b) The Finance Department, overseen by the CFO, to compile a listing of related parties, nature of RPT and RRPT, the estimated value of annual transactions and control(s) put in place, subject to update from time to time.
 - (c) All Directors and major shareholders are required to declare and disclose any transaction in which they are deemed to have an interest and give their undertakings that all business transactions entered between themselves and/or persons connected with them and the group of companies are negotiated and agreed at arm's length basis based on normal commercial terms and are not to the detriment of the minority shareholders and favourable to the related party/parties.
 - (d) The Company shall disclose the nature of the related party relationship as well as information about the transactions and outstanding balances necessary for an understanding of the potential effect of the relationship on the financial statements. Such disclosure includes a settlement of liabilities on behalf of the entity or by the entity on behalf of another party.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(ii) Reporting process

The Board shall ensure that there are adequate procedures established by the Group to ensure that a RPT and a RRPT is undertaken on an arm's length basis and on the Group's normal commercial terms, consistent with the Group's usual business practices and policies, which are generally available to the public and are not detrimental to the minority shareholders. The procedures are as follows:

- (a) A list of related parties will be circulated to the Board and management of the Company. All related parties of the Company and its subsidiaries are responsible for providing written notice to the Audit and Risk Management Committee of any potential RPT and RRPT involving him/her or Person Connected to him/her, including any additional information about the transaction that the Audit and Risk Management Committee may reasonably request.
- (b) The Audit and Risk Management Committee will determine whether the transaction does, in fact, constitute a RPT or RRPT.
- (c) The Company may be required to engage a professional or third-party opinion on the matter.
- (d) The RPT and RRPT will be reviewed by the Audit and Risk Management Committee of the Company from time to time to ensure compliance with the Listing Requirements and applicable laws.
- (e) Submit the RPT and RRPT announcement to the Audit and Risk Management Committee and the Board for consideration;
- (f) When it is approved, submit the announcement to Bursa Securities.
- (g) Update the RPT and RRPT listing/document.
- (h) The annual internal audit plan shall incorporate a review of all RRPT entered into pursuant to the proposed shareholders' mandate to ensure that the relevant approvals have been obtained and the review procedures in respect of such transactions are adhered to.
- (i) The Board and the Audit and Risk Management Committee shall review the internal audit reports to ascertain that the guidelines and procedures established to monitor RPT and RRPT have been complied with and the review shall be done at every quarter together with a review of the quarterly results.
- (j) All RRPT shall be disclosed in the annual report of the Company and a breakdown of the transactions pursuant to the proposed shareholders' mandate during the financial year and for the subsequent financial year in the following manner:
 - Aggregate value;
 - Nature / type;
 - Names of the related party/parties involved in each type of the RRPT; and
 - Relationship of the related party/parties with the Company.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(iii) Authority of Audit and Risk Management Committee

As the Audit and Risk Management Committee is entrusted by the Board with the task of executing and managing this policy, the Audit and Risk Management Committee is vested with the following authority:

- (a) have the adequate resources which it needs to perform its duties;
- (b) have full access to any information which it requires in the course of performing its duties;
- (c) have direct communication channels with the Directors, executive officer(s) and major shareholder(s), the employees and any persons, as the case may be, to obtain information and feedback in performing its duties; and
- (d) to obtain the services of the external professional at the expense of the Company in carrying out its duties.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS OR SUPPLIERS

As at the LPD, none of our Directors or substantial shareholders have any interests, direct or indirect, in businesses and corporations carrying on a similar trade as our Group, or which are the customers or suppliers of our Group:

Nevertheless, the Board noted that Mohd Jaffar Bin Awang (Ismail) has directorships in the customers of our Group as follows:

Director and/or substantial shareholder	Company	Position Held	Principal Activities
Mohd Jaffar Bin Awang (Ismail)	Tasek Homes Sdn Bhd Loong Soon Kemajuan Sdn Bhd	Directors	Property development

The Board is of the view that the situation of potential conflict of interest is sufficiently mitigated by the following:

- (i) Tasek Homes Sdn Bhd and Loong Soon Kemajuan Sdn Bhd, the customers of Haily, both contributed to a total of nil, 0.05%, 0.75% and 0.01% of our Group's total revenue for FYE 2017, FYE 2018, FYE 2019 and FYE 2020, respectively. As a result, our Group's revenue is not dependent on the aforesaid companies;
- (ii) Mohd Jaffar Bin Awang (Ismail) does not have any shareholdings interest, either direct or indirect, in Tasek Homes Sdn Bhd and Loong Soon Kemajuan Sdn Bhd; and
- (iii) Mohd Jaffar Bin Awang (Ismail) is not involved in the day-to-day management of the business of both Tasek Homes Sdn Bhd and Loong Soon Kemajuan Sdn Bhd. His involvement in the said companies, is mainly to share his experience in view of his background in civil service.

Mohd Jaffar Bin Awang (Ismail) was appointed as an Independent Non-Executive Director of Haily on 2 September 2020. In September 2018, Tasek Homes Sdn Bhd awarded Haily Construction the project known as the Promenade Residence for Underground on-site detention tank, for the contract sum of approximately RM1.0 million. This project is a one-off remedial work due to a flood and such project has been completed in January 2019. The work done by Haily Construction for Loong Soon Kemajuan Sdn Bhd was only in the FYE 2018 and was negligible (i.e., RM6,500). Thus, this project had been awarded and completed by Haily Construction prior to the appointment of Mohd Jaffar Bin Awang (Ismail) as the Independent Non-Executive Chairman of Haily.

In any event, the ARMC will supervise any conflict of interest or potential conflict of interest situations and the Board will disclose such conflict of interest, if any, for resolution as and when they arise. Furthermore, Mohd Jaffar Bin Awang (Ismail) as a member of the ARMC shall abstain from the Board's deliberation and voting if there is any future business involving Tasek Homes Sdn Bhd and Loong Soon Kemajuan Sdn Bhd.

Save as set out in Section 11.1 of this Prospectus, our Directors and substantial shareholders confirm that there are no transactions that may give rise to a situation conflict of interest or situations of potential between our Group and any of our Directors, substantial shareholders, key senior management and /or persons connected with them.

11. CONFLICT OF INTEREST (CONT'D)

11.2 DECLARATION BY THE ADVISERS

- (i) TA Securities has confirmed that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent in respect of our IPO;
- (ii) Baker Tilly Monteiro Heng PLT has confirmed that there is no existing or potential conflict of interest in its capacity as the Reporting Accountants in respect of our IPO;
- (iii) David Lai & Tan has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors in respect of our IPO;
- (iv) Vital Factor has confirmed that there is no existing or potential conflict of interest in its capacity as the Independent Business and Market Research Consultants in respect of our IPO; and
- (v) Azman Davidson & Co has confirmed that there is no existing or potential conflict of interest in its capacity as the Solicitors to our Principal Adviser, Sponsor, Underwriter and Placement Agent in respect of our IPO.

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