



HAILY GROUP BERHAD

(Registration No. 202001006412 (1362732-T))
(Incorporated in Malaysia)

**Unaudited Interim Financial Report
For The First Quarter Ended
31 March 2022**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ⁽¹⁾

	Note	QUARTER ENDED		YEAR-TO-DATE ENDED	
		31.03.2022	31.03.2021	31.03.2022	31.03.2021
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	41,367	43,295	41,367	43,295
Cost of sales		(35,851)	(36,392)	(35,851)	(36,392)
Gross profit		5,516	6,903	5,516	6,903
Other income		126	75	126	75
Other operating expenses		(3,415)	(3,183)	(3,415)	(3,183)
Operating profit		2,227	3,795	2,227	3,795
Finance costs		(21)	(75)	(21)	(75)
Profit before tax	B12	2,206	3,720	2,206	3,720
Income tax expense	B5	(589)	(923)	(589)	(923)
Profit for the financial period, representing total comprehensive income for the financial period		1,617	2,797	1,617	2,797
Total comprehensive income attributable to:					
Owners of the Company		1,617	2,797	1,617	2,797
Non-controlling Interest		-	-	-	-
		1,617	2,797	1,617	2,797
Earnings Per Share attributable to owners of the Company (sen)⁽²⁾					
Basic/Diluted ⁽³⁾	B11	0.91	1.89	0.91	1.89

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) The diluted earnings per share of the Company for the current quarter and financial year-to-date are equivalent to the basic earnings per share as the Company does not have any convertible securities as at the end of the reporting period.
- (3) Computation of basic/diluted earnings per share is based on the Profit attributable to owners of the Company divided by the weighted average number of shares in issue during the period under review as disclosed in Note B11.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ⁽¹⁾

		As at 31.03.2022	As at 31.12.2021
	Note	Unaudited RM'000	Audited RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		4,903	4,885
Other investments		3,033	2,272
Total non-current assets		7,936	7,157
Current assets			
Current tax assets		17	17
Trade and other receivables		54,939	56,854
Contract assets		45,460	39,014
Cash and short-term deposits		29,777	30,191
Total current assets		130,193	126,076
TOTAL ASSETS		138,129	133,233
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		61,255	61,255
Reorganisation reserve		(40,030)	(40,030)
Retained earnings		55,352	53,735
TOTAL EQUITY		76,577	74,960
Non-current liabilities			
Borrowings	B8	835	1,033
Deferred tax liabilities		195	195
Total non-current liabilities		1,030	1,228
Current liabilities			
Borrowings	B8	871	948
Current tax liabilities		588	485
Trade and other payables		59,030	55,375
Contract liabilities		33	237
Total current liabilities		60,522	57,045
TOTAL LIABILITIES		61,552	58,273
TOTAL EQUITY AND LIABILITIES		138,129	133,233
Net assets per ordinary share attributable to owners of the Company (RM) ⁽²⁾		0.43	0.42

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ⁽¹⁾
(CONT'D)**

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) Net assets per ordinary share is calculated based on the Company's issued share capital as at 31 March 2022 of 178,320,700 shares (31 December 2021: 178,320,700 shares).

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ⁽¹⁾

	<---- Attributable to owners of the Company ---->			
	<----- Non-distributable ----->		Distributable	
	Share capital	Reorganisation reserve	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000
At 1 January 2021 (Audited)	41,530	(40,030)	50,474	51,974
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year	-	-	6,257	6,257
Transaction with owners:				
Shares issued pursuant to the public issue	20,400	-	-	20,400
Shares issuance expenses	(675)	-	-	(675)
Dividends paid on shares	-	-	(2,996)	(2,996)
At 31 December 2021 (Audited)	<u>61,255</u>	<u>(40,030)</u>	<u>53,735</u>	<u>74,960</u>
At 1 January 2022 (Audited)	61,255	(40,030)	53,735	74,960
Total comprehensive income for the financial period				
Profit for the financial period, representing total comprehensive income for the financial period	-	-	1,617	1,617
At 31 March 2022 (Unaudited)	<u>61,255</u>	<u>(40,030)</u>	<u>55,352</u>	<u>76,577</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ⁽¹⁾
(CONT'D)

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity is disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

	CURRENT YEAR TO-DATE 31.03.2022 Unaudited RM'000	PRECEDING YEAR TO-DATE 31.03.2021 Unaudited RM'000
Cash flows from operating activities		
Profit before tax	2,206	3,720
Adjustments for:		
Depreciation of property, plant and equipment	432	320
Interest income	(80)	(54)
Finance costs	21	75
Operating profit before changes in working capital	2,579	4,061
<u>Changes in working capital:</u>		
Trade and other receivables	1,916	5,813
Contract assets	(6,447)	72
Trade and other payables	3,654	(6,512)
Contract liabilities	(204)	(2,171)
Net cash generated from operations	1,498	1,263
Income tax paid	(485)	(895)
Interest paid	-	(47)
Net cash from operating activities	1,013	321
Cash flows from investing activities		
Purchase of property, plant and equipment	(450)	(132)
Purchase of other investments	(761)	(455)
Change in pledged deposits	(919)	(4)
Interest received	80	54
Net cash used in investing activities	(2,050)	(537)
Cash flows from financing activities		
Payment of lease liabilities	(275)	(229)
Interest paid	(21)	(28)
Net cash used in financing activities	(296)	(257)
Net decrease in cash and cash equivalents	(1,333)	(473)
Cash and cash equivalents at the beginning of the financial period	30,124	21,315
Cash and cash equivalents at the end of the financial period	28,791	20,842
Cash and cash equivalents at the end of the financial year comprises:		
Short-term deposits	986	1,223
Less: Pledged deposits	(986)	(1,223)
	-	-
Cash and bank balances	28,791	24,850
Bank overdrafts	-	(4,008)
	28,791	20,842

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾ (CONT'D)

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

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A. EXPLANATORY NOTES IN COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A1. Basis of preparation

The interim financial report of Haily Group Berhad (“Haily” or “Company”) and its subsidiaries (“Group”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) No 134: Interim Financial Reporting and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

This interim financial report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant Accounting Policies

The significant accounting policies and presentations adopted by the Group in this interim financial report are consistent with those adopted in the preparation of the audited financial statements for the financial year ended 31 December 2021:

- (a) The Group has adopted the following amendments/improvements to MFRSs for the current financial period:

MFRS 1, MFRS 9, MFRS 16 and MFRS 141	Annual Improvements to MFRS Standards 2018 - 2020
MFRS 3	Amendments to MFRS 3 Business Combinations: Reference to the Conceptual Framework
MFRS 116	Amendments to MFRS 116 Property, Plant and Equipment: Proceeds before Intended Use
MFRS 137	Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the Group’s interim financial report and did not result in significant changes to the Group’s existing accounting policies.

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

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A. EXPLANATORY NOTES IN COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (CONT'D)

A2. Significant Accounting Policies (Cont'd)

- (b) The Group has not adopted the following new MFRSs and amendments/improvements to MFRSs that have been issued, but yet to be effective (Cont'd):

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

Consequential amendments as a result of MFRS 17 Insurance Contracts

A3. Auditors' Report on Preceding Annual Financial Statements

There was no qualification on the audited financial statements of the Company for the financial year ended 31 December 2021.

A. EXPLANATORY NOTES IN COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (CONT'D)

A4. Seasonal or Cyclical Factors

The Group's business operations has not been materially affected by any seasonal or cyclical factors.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the current quarter and financial year-to-date.

A6. Changes in Estimates

There were no material changes in estimates for the current quarter and financial year-to-date.

A7. Debt and Equity Securities

There were no issuances, repurchases or repayments of debts and equity securities in the current quarter and subsequent to the financial year-to-date.

A8. Dividend Paid

No dividend has been paid in the current quarter and financial year-to-date.

A9. Segmental Information

The Group prepared the following segmental information based on the internal reports of the Group's strategic business units which are regularly reviewed by the directors for the purpose of making decision about resource allocation and performance assessment. The 2 reportable operating segments are as follows: -

Segments	Product and services
Building construction	Building construction of residential and non-residential buildings
Others	Civil engineering construction works and rental of construction machinery and equipment

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A. EXPLANATORY NOTES IN COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (CONT'D)

A9. Segmental Information (Cont'd)

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Revenue:				
Revenue from external customers:				
Building construction	41,337	43,207	41,337	43,207
Others	30	88	30	88
	<u>41,367</u>	<u>43,295</u>	<u>41,367</u>	<u>43,295</u>
Inter-segment revenue:				
Building construction	-	-	-	-
Others	616	497	616	497
Adjustment and eliminations	(616)	(497)	(616)	(497)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total:				
Building construction	41,337	43,207	41,337	43,207
Others	646	585	646	585
Adjustment and eliminations	(616)	(497)	(616)	(497)
	<u>41,367</u>	<u>43,295</u>	<u>41,367</u>	<u>43,295</u>
Segment profit:				
Building construction	5,513	6,895	5,513	6,895
Others	3	8	3	8
	<u>5,516</u>	<u>6,903</u>	<u>5,516</u>	<u>6,903</u>
Other income	126	75	126	75
Unallocated expenses	(3,415)	(3,183)	(3,415)	(3,183)
Finance costs	(21)	(75)	(21)	(75)
Income tax expense	(589)	(923)	(589)	(923)
Profit for the financial period ("PAT")	<u>1,617</u>	<u>2,797</u>	<u>1,617</u>	<u>2,797</u>

A10. Valuation of property, plant and equipment

There was no valuation of property, plant and equipment in the current quarter and financial year-to-date.

A11. Material Subsequent Events

There was no material event subsequent to the end of the current quarter and financial year-to-date which has not been reflected in this interim financial report as at the date of this report.

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A. EXPLANATORY NOTES IN COMPLIANCE WITH MFRS 134: INTERIM FINANCIAL REPORTING (CONT'D)

A12. Changes in the Composition of the Group

There was no change in the composition of the Group during the current quarter and financial year-to-date.

A13. Contingent Assets and Contingent Liabilities

There were no contingent assets and contingent liabilities as at the date of this interim financial report.

A14. Significant Related Party Transaction

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	31.03.2022	31.03.2021	31.03.2022	31.03.2021
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Rental paid to the holding company	120	60	120	60

A15. Capital Commitments

Save as disclosed below, there were no other material capital commitments as at the end of the current quarter and financial year-to-date:

	As at 31.03.2022 Unaudited RM'000
Approved and contracted for: -	
- Property, plant and equipment	293

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B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of Group Performance

	Current quarter		Changes %	Year-to-date		Changes %
	31.03.2022 Unaudited RM'000	31.03.2021 Unaudited RM'000		31.03.2022 Unaudited RM'000	31.03.2021 Unaudited RM'000	
Revenue	41,367	43,295	(4.45)	41,367	43,295	(4.45)
Gross profit	5,516	6,903	(20.09)	5,516	6,903	(20.09)
Profit before tax	2,206	3,720	(40.70)	2,206	3,720	(40.70)
Profit after tax	1,617	2,797	(42.19)	1,617	2,797	(42.19)
Profit attributable to owners of the Company	1,617	2,797	(42.19)	1,617	2,797	(42.19)

The breakdown of our Group's revenue according to the relevant segments for the current quarter and financial year-to-date are as follows:

	Current quarter		Changes %	Year-to-date		Changes %
	31.03.2022 Unaudited RM'000	31.03.2021 Unaudited RM'000		31.03.2022 Unaudited RM'000	31.03.2021 Unaudited RM'000	
Building construction	41,337	43,207	(4.33)	41,337	43,207	(4.33)
Others	30	88	(65.91)	30	88	(65.91)
Total	41,367	43,295	(4.45)	41,367	43,295	(4.45)

For the first quarter ended 31 March 2022, the Group's revenue showed a marginal decrease to RM41.37 million from RM43.30 million registered for the first quarter of the preceding financial year, representing a decrease of RM1.93 million or 4.45%. The decrease in revenue was mainly attributable to the decrease in revenue recognised from our Group's building construction segment which decreased from RM43.21 million for the first quarter ended 31 March 2021 to RM41.34 million for the quarter under review, representing a decrease of RM1.87 million or 4.33%. This was mainly due to the:

- a) Reduction in revenue recognised pursuant to percentage of completion in the first quarter ended 31 March 2022 in respect of our Group's completed building construction projects, namely:
 - (i) 236 DSTH Meridin East – Parcel 1H Project which reported a decrease in revenue of RM2.02 million due to finalisation of account subsequent to the project's completion in December 2020;
 - (ii) 164 DSTH Meridin East – Parcel 1F2 Project which reported a decrease in revenue of RM1.88 million as the project was completed in August 2021;
 - (iii) 128 DSTH Taman Impian Emas Project which reported a decrease in revenue of RM1.42 million as the project was completed in September 2021;

B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B1. Review of Group Performance (Cont'd)

- (iv) 120 SSTH Bandar Putra Project which reported a decrease in revenue from RM3.65 million to RM0.57 million, representing a decrease of RM3.08 million or 84.38% as the project was completed in January 2022; and
 - (v) Taman Ungku Tun Aminah – Zone 13 Project which reported a decrease in revenue from RM2.47 million to RM0.17 million, representing a decrease of RM2.30 million or 93.12% as the project was completed in February 2022;
- b) Reduction in revenue recognised pursuant to percentage of completion in the first quarter ended 31 March 2022 in respect of our Group's on-going building construction projects, namely:
- (i) 264 DSTH Bandar Jaya Putra Project which reported a decrease in revenue from RM5.83 million to RM0.26 million, representing a decrease of RM5.57 million or 95.54% due to the reduced revenue recognised pursuant to percentage of completion during the financial period under review;
 - (ii) 30 TSSD Taman Nusa Sentral Project which reported a decrease in revenue from RM2.53 million to RM0.19 million, representing a decrease of RM2.34 million or 92.49% due to the reduced revenue recognised pursuant to percentage of completion during the financial period under review;
 - (iii) 185 DSTH Meridin East – Parcel 11 Project which reported a decrease in revenue from RM7.65 million to RM0.93 million, representing a decrease of RM6.72 million or 87.84% due to the reduced revenue recognised pursuant to percentage of completion during the financial period under review;
 - (iv) Bandar Jaya Putra Project which reported a decrease in revenue from RM10.96 million to RM7.73 million, representing a decrease of RM3.23 million or 29.47% due to the reduced revenue recognised pursuant to percentage of completion during the financial period under review.

The decrease in the revenue above was partially offset by the increase in revenue recognised pursuant to percentage completion arising from certain building construction works undertaken by the Group subsequent to the first quarter ended 31 March 2021 which contributed to a revenue in the quarter under review totalling RM24.78 million.

Our Group's gross profit of RM5.52 million for the current quarter showed a decline of 20.09% as compared to the gross profit of RM6.90 million for the first quarter ended 31 March 2021. The decline in the gross profit was mainly due to the lower gross profit margin of 13.33% for the current quarter compared to 15.94% achieved for the preceding year quarter ended 31 March 2021 and is largely attributed to the hikes in prices of building construction materials as well as the higher labour costs resulting from the acute shortages in the supply of foreign workers.

B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B1. Review of Group Performance (Cont'd)

Consequently, the profit before tax and profit after tax of the Group for the current quarter and financial year-to-date of RM2.21 million and RM1.62 million respectively also declined by 40.70% and 42.19% respectively as compared to the corresponding quarter of the preceding financial year.

B2. Comparison with Immediate Preceding Quarter's Result

	QUARTER ENDED		Changes %
	31.03.2022 Unaudited RM'000	31.12.2021 Unaudited RM'000	
Revenue	41,367	34,635	19.44
Gross profit	5,516	7,260	(24.02)
Profit before tax	2,206	4,516	(51.15)
Profit after tax	1,617	3,205	49.55
Profit attributable to owners of the Company	1,617	3,205	49.55

The Group's revenue increased to RM41.37 million for the quarter ended 31 March 2022 from RM34.64 million for the immediate preceding quarter, representing an increase of RM6.73 million or 19.44%. This was mainly due to the following:

- (a) Increase in revenue recognised pursuant to percentage of completion for the first quarter ended 31 March 2022 as compared to the preceding quarter for certain of our Group's building construction projects, which contributed to a net increase in revenue totalling RM3.43 million; and
- (b) Increase in revenue recognised arising from percentage of completion in the first quarter ended 31 March 2022 from certain of our Group's building construction works which commenced during the said quarter, contributing to an additional total revenue of RM2.42 million.

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B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B2. Comparison with Immediate Preceding Quarter's Result (Cont'd)

Our Group's gross profit recorded a decline of RM1.74 million or 24.02% from RM7.26 million for the quarter ended 31 December 2021 to RM5.52 million for the quarter under review. This decline was mainly contributed by the lower gross profit margin which saw a decline from 20.96% registered for the quarter ended 31 December 2021 to 13.33% for the quarter under review attributed to reasons as explained in Note B1 above.

Consequently, the profit before tax and profit after tax of the Group for the current quarter of RM2.21 million and RM1.62 million respectively also declined by 51.15% and 49.55% respectively as compared to the immediate preceding quarter.

B3. Prospects

Overall, the Malaysian economy saw a moderate recovery, with the GDP growing by 3.1% in 2021 (2020: -5.6%). The headline inflation averaged higher at 2.5% (2020: -1.2%) which arose from higher cost due to rising global oil prices and supply chain disruptions (*BNM's Annual Report 2021, 30 March 2022*).

The sustained reopening of the global economy and the improvement in labour market conditions continue to support the recovery of economic activity. These have partly cushioned the impact of the military conflict in Ukraine and the strict containment measures in China. Inflationary pressures have increased sharply due to a rise in commodity prices, strained supply chains and strong demand conditions, particularly in the US. The global growth outlook will continue to be affected by the developments surrounding the conflict in Ukraine, COVID-19, global supply chain conditions, commodity price shocks, and financial market volatility (*Source: BNM's Monetary Policy Statement, 11 May 2022*).

The Malaysian economy registered a positive growth of 5.0% in the first quarter of 2022 (4Q 2021: 3.6%). This was mainly supported by improving domestic demand as economic activity continued to normalise with the easing of containment measures. The domestic economy is expected to improve further this year, with growth projected at 5.3% to 6.3%, underpinned by stronger domestic demand, continued expansion in external demand, and further improvement in the labour market. Growth in the construction sector improved with a smaller contraction of 6.2% in the first quarter of 2022 (4Q 2021: -12.2%). Progress in new and existing commercial and industrial projects continued to support activity in the non-residential subsector. Meanwhile, the implementation of small-scale projects under the Budget 2022 sustained growth in special trade activities. Growth in the civil engineering and residential subsectors improved but remained subdued (*Source: BNM's Quarterly Bulletin for the First Quarter 2022, 13 May 2022*).

In light of the above, the Group remains cautiously optimistic of its prospects and the outlook of the construction industry with the expected recovery by the end of the current financial year. Nevertheless, the Group has persevered and will continue to remain vigilant and steadfast in navigating through these challenging times.

The Group's business strategies and plans remain the same as the Group intends to focus on its core competency in building construction in Johor and expand into other districts in Johor i.e., from Johor Bahru and Kulai districts into other districts in Johor. The Group will continue to focus on residential building construction while expanding into industrial building construction.

B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B3. Prospects (Cont'd)

Moving forward, the Group expects its performance to be driven by its existing ongoing construction projects as well as new construction projects expected to be secured. The Group views that its financial results for the financial year ending 31 December 2022 will remain favourable.

B4. Variance of Actual Profit from Profit Forecast or Profit Guarantee

The Group has not issued any profit forecast or profit guarantee in any form of public documentation and announcement.

B5. Income Tax Expense

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	31.03.2022 Unaudited RM'000	31.03.2021 Unaudited RM'000	31.03.2022 Unaudited RM'000	31.03.2021 Unaudited RM'000
Total income tax expense	589	923	589	923
Effective tax rate ⁽¹⁾ (%)	26.70	24.81	26.70	24.81
Statutory tax rate (%)	24.00	24.00	24.00	24.00

Note:

- (1) The effective tax rate for the current quarter and financial year-to-date were higher than the statutory tax rate mainly due to adjustments for non-deductible expenses.

B6. Status of Corporate Proposals

There were no corporate proposals announced but not implemented as at the date of this interim financial report.

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B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B7. Status of Utilisation of Proceeds Raised from the IPO

The gross proceeds from the IPO which was completed on 21 July 2021 amounting to RM20.40 million and the status of utilisation of proceeds as at 31 March 2022 is as follows:

	Proposed utilisation RM'000	Deviation ⁽¹⁾ RM'000	Actual utilisation RM'000	Unutilised amount RM'000	frame for utilisation upon Listing ⁽²⁾
Purchase of construction machinery, equipment as well as new contract management and accounting software and office equipment	4,200	-	(1,854)	2,346	Within 24 months
Working capital for construction projects	6,000	134	(6,134)	-	Within 24 months
Repayment of bank borrowings	7,000	-	(7,000)	-	Within 3 months
Estimated listing expenses	3,200	(134)	(3,066)	-	Within 3 months
Total	20,400	-	(18,054)	2,346	

Notes:

- (1) The actual listing expenses were lower than the estimated sum, hence the surplus was utilised for working capital for construction projects purposes.
- (2) From the date of listing of the Company on the ACE Market of Bursa Securities. The utilisation of proceeds disclosed above should be read in conjunction with the Prospectus of the Company dated 30 June 2021.

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B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B8. Borrowings

The details of the Group's loans and borrowings were as follows:

	As At 31.03.2022 Unaudited RM'000	As At 31.12.2021 Audited RM'000
Non-current:		
Lease liabilities	835	1,033
Current:		
Lease liabilities	871	948
Total borrowings	1,706	1,981

All borrowings are secured and denominated in Ringgit Malaysia (RM).

B9. Material Litigation

As at 20 May 2022 (being a date not earlier than 7 days from the date of issue of this report), there is no material litigation or arbitration by/against the Group, which has a material effect on the financial position of the Group and the Board of Directors ("Board") is not aware of any material proceedings pending or of any fact likely to give rise to any proceedings.

B10. Dividend Proposed

No dividend has been declared or proposed for the current quarter.

B11. Earnings Per Share ("EPS")

The basic/diluted earnings per share for the current quarter and financial year-to-date are computed as follows:

(i) Basic EPS

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	31.03.2022 Unaudited RM'000	31.03.2021 Unaudited RM'000	31.03.2022 Unaudited RM'000	31.03.2021 Unaudited RM'000
Profit attributable to owners of the Company (RM'000)	1,617	2,797	1,617	2,797
Number of shares in issue ⁽¹⁾ ('000)	178,321	148,321	178,321	148,321
Basic earnings per share ⁽¹⁾ (sen)	0.91	1.89	0.91	1.89

B. EXPLANATORY NOTES PURSUANT TO CHAPTER 9, APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B11. Earnings Per Share (“EPS”) (Cont’d)

(ii) Diluted EPS

Diluted EPS is equivalent to the basic EPS as the Company did not have dilutive potential ordinary shares during the current quarter and financial year-to-date.

Note:

- (1) Basic EPS is calculated based on the Profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the period under review.

B12. Notes to the Unaudited Condensed Consolidated Statement of Comprehensive Income

Profit for the current quarter and financial year-to-date were arrived at after crediting/(charging) the following:

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	31.03.2022 Unaudited RM'000	31.03.2021 Unaudited RM'000	31.03.2022 Unaudited RM'000	31.03.2021 Unaudited RM'000
Interest income	80	54	80	54
Other income	46	21	46	21
Finance costs	(21)	(75)	(21)	(75)
Depreciation of property, plant and equipment	(432)	(320)	(432)	(320)

Other disclosure items pursuant to Appendix 9B, Note 16 of the ACE Market Listing Requirements of Bursa Securities are not applicable.

B13. Derivatives

The Group did not enter into any derivatives during the current quarter and financial year-to-date.

B14. Authorisation for Issue

This interim financial report was authorised for issue by the Board of Directors in accordance with a resolution passed by the Board on 25 May 2022.

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