



HAILY GROUP BERHAD

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

**Unaudited Interim Financial Report
For The First Quarter Ended
31 March 2023**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME ⁽¹⁾

| | Note | QUARTER ENDED | | YEAR-TO-DATE ENDED | |
|--|------|---------------|--------------|--------------------|--------------|
| | | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | | Unaudited | Unaudited | Unaudited | Unaudited |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | A9 | 68,013 | 41,367 | 68,013 | 41,367 |
| Cost of sales | | (61,449) | (35,851) | (61,449) | (35,851) |
| Gross profit | | 6,564 | 5,516 | 6,564 | 5,516 |
| Other income | | 108 | 126 | 108 | 126 |
| Other operating expenses | | (3,843) | (3,415) | (3,843) | (3,415) |
| Operating profit | | 2,829 | 2,227 | 2,829 | 2,227 |
| Finance costs | | (118) | (21) | (118) | (21) |
| Profit before tax | B12 | 2,711 | 2,206 | 2,711 | 2,206 |
| Income tax expense | B5 | (856) | (589) | (856) | (589) |
| Profit for the financial period, representing total comprehensive income for the financial period | | 1,855 | 1,617 | 1,855 | 1,617 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the Company | | 1,855 | 1,617 | 1,855 | 1,617 |
| Non-controlling Interest | | - | - | - | - |
| | | 1,855 | 1,617 | 1,855 | 1,617 |
| Earnings Per Share attributable to owners of the Company (sen)⁽²⁾ | | | | | |
| Basic/Diluted ⁽³⁾ | B11 | 1.04 | 0.91 | 1.04 | 0.91 |

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 2022 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 31.03.2023 | As at 31.12.2022 |
|---|------|----------------------------|----------------------------|
| | Note | <u>Unaudited</u> | <u>Audited</u> |
| | | RM'000 | RM'000 |
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 4,937 | 5,073 |
| Other investments | | 2,552 | 2,552 |
| Total non-current assets | | 7,489 | 7,625 |
| Current assets | | | |
| Current tax assets | | 2 | 2 |
| Trade and other receivables | | 95,888 | 80,217 |
| Contract assets | | 59,463 | 47,400 |
| Cash and short-term deposits | | 12,379 | 26,386 |
| Total current assets | | 167,732 | 154,005 |
| TOTAL ASSETS | | 175,221 | 161,630 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | | 61,255 | 61,255 |
| Reorganisation reserve | | (40,030) | (40,030) |
| Retained earnings | | 61,191 | 59,336 |
| TOTAL EQUITY | | 82,416 | 80,561 |
| Non-current liabilities | | | |
| Borrowings | B8 | 573 | 617 |
| Deferred tax liabilities | | 130 | 130 |
| Total non-current liabilities | | 703 | 747 |
| Current liabilities | | | |
| Borrowings | B8 | 9,363 | 6,379 |
| Current tax liabilities | | 765 | 461 |
| Trade and other payables | | 78,468 | 70,610 |
| Contract liabilities | | 3,506 | 2,872 |
| Total current liabilities | | 92,102 | 80,322 |
| TOTAL LIABILITIES | | 92,805 | 81,069 |
| TOTAL EQUITY AND LIABILITIES | | 175,221 | 161,630 |
| Net assets per ordinary share attributable to owners of the Company (RM) ⁽²⁾ | | 0.46 | 0.45 |

**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 2022 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 2023 of 178,320,700 shares (31 December 2022: 178,320,700 shares).

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ⁽¹⁾

| | <----- Attributable to owners of the Company -----> | | | |
|--|---|---------------------------|----------------------|---------------|
| | Share capital | Reorganisation reserve | Retained earnings | Total equity |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2022 (Audited) | 61,255 | (40,030) | 53,735 | 74,960 |
| Total comprehensive income for the financial year | | | | |
| Profit for the financial year, representing total comprehensive income for the financial year | - | - | 6,600 | 6,600 |
| Transaction with owners: | | | | |
| Dividends paid on shares | - | - | (999) | (999) |
| At 31 December 2022 (Audited) | 61,255 | (40,030) | 59,336 | 80,561 |
| At 1 January 2023 (Audited) | 61,255 | (40,030) | 59,336 | 80,561 |
| Total comprehensive income for the financial period | | | | |
| Profit for the financial period, representing total comprehensive income for the financial period | - | - | 1,855 | 1,855 |
| At 31 March 2023 (Unaudited) | 61,255 | (40,030) | 61,191 | 82,416 |

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 2022 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

| | CURRENT YEAR TO-DATE <u>31.03.2023</u> Unaudited RM'000 | PRECEDING YEAR TO-DATE <u>31.03.2022</u> Unaudited RM'000 |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before tax | 2,711 | 2,206 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 500 | 432 |
| Gain on disposal of property, plant and equipment | (2) | - |
| Interest income | (69) | (80) |
| Finance costs | 118 | 21 |
| Operating profit before changes in working capital | 3,258 | 2,579 |
| <u>Changes in working capital:</u> | | |
| Trade and other receivables | (15,672) | 1,916 |
| Contract assets | (12,063) | (6,447) |
| Trade and other payables | 7,858 | 3,654 |
| Contract liabilities | 634 | (204) |
| Net cash (used in)/from operations | (15,985) | 1,498 |
| Income tax paid | (552) | (485) |
| Interest paid | (101) | - |
| Net cash (used in)/from operating activities | (16,638) | 1,013 |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | (171) | (450) |
| Proceeds from disposal of property, plant and equipment | 2 | - |
| Change in other investments | - | (761) |
| Change in pledged deposits | (799) | (919) |
| Interest received | 69 | 80 |
| Net cash used in investing activities | (899) | (2,050) |
| Cash flows from financing activities | | |
| Payment of lease liabilities | (123) | (123) |
| Payment of hire purchase | (137) | (173) |
| Drawdown from revolving credit | 1,000 | - |
| Net cash from/(used in) financing activities | 740 | (296) |
| Net decrease in cash and cash equivalents | (16,797) | (1,333) |
| Cash and cash equivalents at the beginning of the financial period | 19,854 | 30,124 |
| Cash and cash equivalents at the end of the financial period | 3,057 | 28,791 |
| Cash and cash equivalents at the end of the financial period comprises: | | |
| Short-term deposits | 1,801 | 986 |
| Less: Pledged deposits | (1,801) | (986) |
| | - | - |
| Cash and bank balances | 10,578 | 28,791 |
| Bank overdraft | (7,521) | - |
| | 3,057 | 28,791 |

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 2022 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 of the Group and of the Company for the financial year ended 31 December 2022 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 2022:

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

| | |
|--|---|
| MFRS 1, MFRS 3, MFRS 5, MFRS 7, MFRS 9, MFRS 15, MFRS 101, MFRS 107, MFRS 116, MFRS 119, MFRS 128, MFRS 132, MFRS 136, MFRS 137, MFRS 138 and MFRS 140 | Amendments to the consequence of effective of MFRS 17 Insurance Contracts |
| MFRS 17 | Insurance Contracts - New MFRS |
| MFRS 101 | Presentation of Financial Statements – Amendments/Improvements to MFRS |
| MFRS 108 | Accounting Policies, Changes in Accounting Estimates and Errors – Amendments/Improvements to MFRS |
| MFRS 112 | Income Taxes – Amendments/Improvements to MFRS |

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.

A. EXPLANATORY NOTES IN COMPLIANCE WITH MALYSIAN FINANCIAL REPORTING STANDARDS (“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:

| <u>Amendments/Improvements to MFRSs</u> | | Effective for financial periods beginning on or after |
|---|--|--|
| MFRS 10 | Consolidated Financial Statements | Deferred |
| MFRS 16 | Leases | 1 January 2024 |
| MFRS 101 | Presentation of Financial Statements | 1 January 2024 |
| MFRS 128 | Investments in Associates and Joint Ventures | Deferred |

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 2022.

A4. Seasonal or Cyclical Factors

The Group’s business operations have 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 financial year-to-date.

A8. Dividend Paid

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

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

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, rental of construction machinery and equipment, and agricultural activities of managing and harvesting of durian and other fruits |

| | QUARTER ENDED | | YEAR-TO-DATE ENDED | |
|---|----------------------|-------------------|---------------------------|-------------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue: | | | | |
| Revenue from external customers: | | | | |
| Building construction | 67,940 | 41,337 | 67,940 | 41,337 |
| Others | 73 | 30 | 73 | 30 |
| | <u>68,013</u> | <u>41,367</u> | <u>68,013</u> | <u>41,367</u> |
| Inter-segment revenue: | | | | |
| Building construction | - | - | - | - |
| Others | 690 | 616 | 690 | 616 |
| Adjustment and eliminations | (690) | (616) | (690) | (616) |
| | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total: | | | | |
| Building construction | 67,940 | 41,337 | 67,940 | 41,337 |
| Others | 763 | 646 | 763 | 646 |
| Adjustment and eliminations | (690) | (616) | (690) | (616) |
| | <u>68,013</u> | <u>41,367</u> | <u>68,013</u> | <u>41,367</u> |
| Segment profit: | | | | |
| Building construction | 6,855 | 5,513 | 6,855 | 5,513 |
| Others | (291) | 3 | (291) | 3 |
| | <u>6,564</u> | <u>5,516</u> | <u>6,564</u> | <u>5,516</u> |
| Other income | 108 | 126 | 108 | 126 |
| Unallocated expenses | (3,843) | (3,415) | (3,843) | (3,415) |
| Finance costs | (118) | (21) | (118) | (21) |
| Income tax expense | (856) | (589) | (856) | (589) |
| Profit for the financial period ("PAT") | <u>1,855</u> | <u>1,617</u> | <u>1,855</u> | <u>1,617</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.

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

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.

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 end of the current quarter and financial year-to-date.

A14. Significant Related Party Transaction

| | QUARTER ENDED | | YEAR-TO-DATE ENDED | |
|---|---------------|------------|--------------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Rental expenses paid to the holding company | 120 | 120 | 120 | 120 |

A15. Capital Commitments

There were no material capital commitments as at the end of the current quarter and financial year-to-date.

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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 % |
|--|-----------------------------------|-----------------------------------|--------------|-----------------------------------|-----------------------------------|--------------|
| | 31.03.2023 Unaudited RM'000 | 31.03.2022 Unaudited RM'000 | | 31.03.2023 Unaudited RM'000 | 31.03.2022 Unaudited RM'000 | |
| Revenue | 68,013 | 41,367 | 64.41 | 68,013 | 41,367 | 64.41 |
| Gross profit | 6,564 | 5,516 | 19.00 | 6,564 | 5,516 | 19.00 |
| Profit before tax | 2,711 | 2,206 | 22.89 | 2,711 | 2,206 | 22.89 |
| Profit after tax | 1,855 | 1,617 | 14.72 | 1,855 | 1,617 | 14.72 |
| Profit attributable to owners of the Company | 1,855 | 1,617 | 14.72 | 1,855 | 1,617 | 14.72 |

The breakdown of the 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 % |
|-----------------------|-----------------------------------|-----------------------------------|--------------|-----------------------------------|-----------------------------------|--------------|
| | 31.03.2023 Unaudited RM'000 | 31.03.2022 Unaudited RM'000 | | 31.03.2023 Unaudited RM'000 | 31.03.2022 Unaudited RM'000 | |
| Building construction | 67,940 | 41,337 | 64.36 | 67,940 | 41,337 | 64.36 |
| Others | 73 | 30 | 143.33 | 73 | 30 | 143.33 |
| Total | 68,013 | 41,367 | 64.41 | 68,013 | 41,367 | 64.41 |

For the first quarter ended 31 March 2023, the Group reported revenue of RM68.01 million, an increase of RM26.64 million or 64.41% as compared to RM41.37 million registered for the first quarter of the preceding financial year. The increase in revenue was mainly attributable to the increase in revenue recognised from the Group's building construction segment which increased from RM41.34 million for the first quarter ended 31 March 2022 to RM67.94 million for the quarter under review, representing an increase of RM26.60 million or 64.36%. The increase is mainly due to the revenue of approximately RM16.58 million recognised from on-going projects commenced by the Group subsequent to the first quarter ended 31 March 2022, namely: -

- (i) 99 TSSO Bandar Jaya Putra Project,
- (ii) 108 DSTH Meridin East – Parcel 2H3 Project, and
- (iii) 77 TSSO Bandar Jaya Putra Project.

In addition, the increase in revenue for the building construction segment is also attributed to the increase in percentage of completion recognised in the quarter under review in relation to the Group's on-going construction projects totalling approximately RM23.04 million, namely: -

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)

- (i) 147 DSTV Aurora Sentral Project,
- (ii) 217 DSTH Mutiara Maju Project,
- (iii) 206 DSTH Gelang Patah Project,
- (iv) 159 SSTH Taman Impian Emas Project,
- (v) 66 DSTH Kluang Project,
- (vi) 155 DSTH Meridin East Parcel 2H1 Project,
- (vii) 176 SSTH Taman Impian Emas Project, and
- (viii) 121 DSTV Aurora Sentral Project.

The increase in revenue above was partially offset by the decrease in revenue of an approximate total amount of RM12.56 million due to the reduction in percentage of completion recognised in the quarter under review for the Group's completed and on-going building construction projects, namely: -

- (i) AME Dormitory Project,
- (ii) Bandar Jaya Putra Project, and
- (iii) 122 DSTH Bandar Putra Project.

In line with the increase in the Group's revenue, the Group's gross profit of RM6.56 million for the current quarter showed an increase by RM1.04 million or 19.00% as compared to the gross profit of RM5.52 million registered for the first quarter ended 31 March 2022. The Group reported a lower gross profit margin at 9.65% for the current quarter compared to 13.33% for the corresponding quarter of the preceding year mainly due to the increase in building construction costs arising from the price hikes of building materials and higher labour costs. However, due the higher revenue, the profit before tax and profit after tax of the Group for the current quarter increased to RM2.71 million and RM1.86 million respectively representing an increase of 22.89% and 14.72% respectively as compared to the results reported for the corresponding quarter of the preceding financial year.

B2. Comparison with Immediate Preceding Quarter's Result

| | QUARTER ENDED | | Changes % |
|---|-----------------------------------|-----------------------------------|--------------|
| | 31.03.2023 Unaudited RM'000 | 31.12.2022 Unaudited RM'000 | |
| Revenue | 68,013 | 59,284 | 14.72 |
| Gross profit | 6,564 | 7,146 | (8.14) |
| Profit before tax | 2,711 | 3,244 | (16.43) |
| Profit after tax | 1,855 | 2,464 | (24.72) |
| Profit attributable to owners of the Company | 1,855 | 2,464 | (24.72) |

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)

The Group reported an increase in revenue by RM8.73 million or 14.72% from RM59.28 million registered for the immediate preceding quarter to RM68.01 million for the quarter under review. This was mainly due to the increase in revenue recognised pursuant to the percentage of completion for the current quarter as compared to the immediate preceding quarter for the Group's on-going building construction projects.

The Group registered a decrease in gross profit margin at 9.65% for the current quarter as compared to 12.05% achieved for the immediate preceding quarter. Consequently, the Group's gross profit recorded a decrease of RM0.59 million or 8.14% from RM7.15 million for the quarter ended 31 December 2022 to RM6.56 million for the quarter under review. The decrease in the gross profit and gross profit margin were mainly due to the increase in building construction costs arising from the price hikes of building materials and higher labour costs as well as start-up costs incurred for the Group's agriculture activities which commenced business during the quarter under review.

Corresponding to the above, the profit before tax and profit after tax of the Group decreased to RM2.71 million and RM1.86 million in the current quarter as compared to the results of the immediate preceding quarter of RM3.24 million and RM2.46 million respectively.

B3. Prospects

"The Malaysian economy further expanded in the first quarter of 2023 by 5.6% (4Q 2022: 7.1%), driven mainly by domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.9% (4Q 2022: -1.7%).

Despite global headwinds, the Malaysian economy is projected to expand by 4.0% to 5.0% in 2023, driven by firm domestic demand, improving employment and income as well as continued implementation of multi-year projects would support consumption and investment activity. Risks to Malaysia's growth outlook are relatively balanced. Upside risks stem mainly from domestic factors. These include stronger-than-expected tourism activity and implementation of projects including those from the re-tabled Budget 2023. Meanwhile, downside risks could emanate from lower exports due to weaker-than-expected global growth and more volatile global financial market conditions" (*Source: Bank Negara Malaysia's Economic and Financial Developments in Malaysia in the First Quarter of 2023*).

"The value of work done in the first quarter 2023 sustained expanded by 9.4% (Q4 2022: 15.7%) year-on-year basis, amounting to RM32.2 billion (4Q 2022: RM32.0 billion). Meanwhile, a quarter-on-quarter comparison showed the value of work done grew 0.8% in the first quarter 2023 (Q4 2022: 4.8%).

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

B3. Prospects (Cont'd)

In the first quarter of 2023, the Civil engineering sub-sector registered the highest growth at 17.2% when compared to the corresponding period of the previous year, followed by Non-residential buildings and Special trade activities sub-sector which increased by 9.6% and 9.0% respectively. Meanwhile, the value of work done in the Residential buildings sub-sector declined by 2.2% as compared with the same quarter in 2022. All construction sub-sectors showed positive growth on a quarter-on-quarter basis. The value of construction work done in the Non-residential buildings sub-sector increased 2.0%, Special trade activities (0.8%), Residential buildings sub-sector (0.2%) and the Civil engineering sub-sector (0.1%). Johor ranked third jointly with Sarawak in term of value of construction work done at RM3.43 billion (10.6%) in the first quarter 2023 (4Q 2022: RM3.41 billion)" (Source: Department of Statistics Malaysia's Quarterly Construction Statistics, First Quarter 2023).

The Group will continue to focus on its core competency in building construction in the districts of Johor Bahru, Kulai, Pontian and Kluang as well as expanding into other districts in Johor and focus on construction projects involving landed residential buildings and industrial buildings. Moving forward, the Group expects its performance to be continuously driven by its ability to successfully complete the on-going construction projects.

The Group is constantly on the lookout for new opportunities to secure new construction projects. Based on the existing order book, the Group views positively on the prospects for the current year as it is anticipated that the Malaysian economy will continue to recover despite the on-going uncertainties in the global economy and political affairs. The Group remains steadfast and resolute to take full advantage of this. Moving forward, the Group is cautiously optimistic that the financial results for the financial year ending 31 December 2023 will be 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 | |
|---------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 31.03.2023 Unaudited RM'000 | 31.03.2022 Unaudited RM'000 | 31.03.2023 Unaudited RM'000 | 31.03.2022 Unaudited RM'000 |
| Income tax expense - current | 856 | 589 | 856 | 589 |
| Effective tax rate ⁽¹⁾ (%) | 31.58 | 26.70 | 31.58 | 26.70 |
| Statutory tax rate (%) | 24.00 | 24.00 | 24.00 | 24.00 |

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

B5. Income Tax Expense (Cont'd)

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.

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 2023 is as follows:

| | Proposed utilisation RM'000 | Deviation ⁽¹⁾ RM'000 | Actual utilisation RM'000 | Unutilised amount RM'000 | Intended time frame for utilisation upon Listing ⁽²⁾ |
|---|--|--|--------------------------------------|-------------------------------------|--|
| Purchase of construction machinery, equipment as well as new contract management and accounting software and office equipment | 4,200 | - | (2,577) | 1,623 | Within 24 months |
| Working capital for construction projects | 6,000 | 134 | (6,134) | - | Within 24 months |
| Repayment of bank borrowings | 7,000 | - | (7,000) | - | Within 3 months |
| Estimated listing expenses | 3,200 | (134) | (3,066) | - | Within 3 months |
| Total | 20,400 | - | (18,777) | 1,623 | |

Notes:

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

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 borrowings were as follows:

| | As At 31.03.2023 Unaudited RM'000 | As At 31.12.2022 Audited RM'000 |
|-------------------------|--|--|
| Non-current: | | |
| Lease liabilities | 153 | 242 |
| Hire purchase | 420 | 375 |
| | 573 | 617 |
| Current: | | |
| Lease liabilities | 476 | 463 |
| Hire purchase | 366 | 386 |
| Bank overdraft | 7,521 | 5,530 |
| Revolving credit | 1,000 | - |
| | 9,363 | 6,379 |
| Total borrowings | 9,936 | 6,996 |

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

B9. Material Litigation

As at 19 May 2023 (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.

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

B10. Dividends

Dividends declared or proposed during the current quarter and financial year-to-date were as follows: -

| | QUARTER ENDED | | YEAR-TO-DATE ENDED | |
|--|---------------|------------|--------------------|------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Unaudited | Unaudited | Unaudited | Unaudited |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Second interim single tier dividend of 0.56 sen per ordinary share for the financial year ended 31 December 2022, declared on 27 February 2023 and paid on 17 April 2023 | 999 | - | 999 | - |
| | <u>999</u> | <u>-</u> | <u>999</u> | <u>-</u> |

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 | |
|---|---------------------|---------------------|---------------------|---------------------|
| | 31.03.2023 | 31.03.2022 | 31.03.2023 | 31.03.2022 |
| | Unaudited RM'000 | Unaudited RM'000 | Unaudited RM'000 | Unaudited RM'000 |
| Profit attributable to owners of the Company (RM'000) | 1,855 | 1,617 | 1,855 | 1,617 |
| Weightage average number of shares in issue ⁽¹⁾ ('000) | 178,321 | 178,321 | 178,321 | 178,321 |
| Basic earnings per share ⁽¹⁾ (sen) | 1.04 | 0.91 | 1.04 | 0.91 |

(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.

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

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 | |
|---|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| | 31.03.2023 Unaudited RM'000 | 31.03.2022 Unaudited RM'000 | 31.03.2023 Unaudited RM'000 | 31.03.2022 Unaudited RM'000 |
| Interest income | 69 | 80 | 69 | 80 |
| Gain on disposal of property, plant and equipment | 2 | - | 2 | - |
| Other income | 37 | 46 | 37 | 46 |
| Finance costs | (118) | (21) | (118) | (21) |
| Depreciation of property, plant and equipment | (500) | (432) | (500) | (432) |

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 in accordance with a resolution passed by the Board on 24 May 2023.

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