



## **HAILY GROUP BERHAD**

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

**Unaudited Interim Financial Report  
For The Third Quarter Ended  
30 September 2023**

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME <sup>(1)</sup>

	Note	QUARTER ENDED		YEAR-TO-DATE ENDED	
		30.09.2023	30.09.2022	30.09.2023	30.09.2022
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	83,487	49,910	220,638	136,971
Cost of sales		(76,805)	(44,113)	(201,763)	(120,512)
<b>Gross profit</b>		<b>6,682</b>	<b>5,797</b>	<b>18,875</b>	<b>16,459</b>
Other income		303	252	500	453
Other operating expenses		(4,233)	(4,004)	(12,048)	(10,964)
<b>Operating profit</b>		<b>2,752</b>	<b>2,045</b>	<b>7,327</b>	<b>5,948</b>
Finance costs		(209)	(18)	(503)	(57)
<b>Profit before tax</b>	B12	<b>2,543</b>	<b>2,027</b>	<b>6,824</b>	<b>5,891</b>
Income tax expense	B5	(492)	(678)	(2,047)	(1,755)
<b>Profit for the financial period, representing total comprehensive income for the financial period</b>		<b>2,051</b>	<b>1,349</b>	<b>4,777</b>	<b>4,136</b>
<b>Total comprehensive income attributable to:</b>					
Owners of the Company		2,051	1,349	4,777	4,136
Non-controlling Interest		-	-	-	-
		<u>2,051</u>	<u>1,349</u>	<u>4,777</u>	<u>4,136</u>
<b>Earnings Per Share attributable to owners of the Company (sen)<sup>(2)</sup></b>					
Basic/Diluted <sup>(3)</sup>	B11	<u>1.15</u>	<u>0.76</u>	<u>2.68</u>	<u>2.32</u>

### 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 <sup>(1)</sup>

		As at 30.09.2023	As at 31.12.2022
	Note	Unaudited RM'000	Audited RM'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		5,722	5,073
Other investments		3,895	2,552
Deferred tax assets		190	-
<b>Total non-current assets</b>		<b>9,807</b>	<b>7,625</b>
<b>Current assets</b>			
Current tax assets		2	2
Trade and other receivables		101,719	80,217
Contract assets		63,572	47,400
Cash and short-term deposits		18,025	26,386
<b>Total current assets</b>		<b>183,318</b>	<b>154,005</b>
<b>TOTAL ASSETS</b>		<b>193,125</b>	<b>161,630</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Group</b>			
Share capital		61,255	61,255
Reorganisation reserve		(40,030)	(40,030)
Retained earnings		63,114	59,336
<b>TOTAL EQUITY</b>		<b>84,339</b>	<b>80,561</b>
<b>Non-current liabilities</b>			
Borrowings	B8	1,724	617
Deferred tax liabilities		130	130
<b>Total non-current liabilities</b>		<b>1,854</b>	<b>747</b>
<b>Current liabilities</b>			
Borrowings	B8	10,203	6,379
Current tax liabilities		845	461
Trade and other payables		92,445	70,610
Contract liabilities		3,439	2,872
<b>Total current liabilities</b>		<b>106,932</b>	<b>80,322</b>
<b>TOTAL LIABILITIES</b>		<b>108,786</b>	<b>81,069</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>193,125</b>	<b>161,630</b>
Net assets per ordinary share attributable to owners of the Company (RM) <sup>(2)</sup>		0.47	0.45

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION <sup>(1)</sup>  
(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 30 September 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 <sup>(1)</sup>**

	<--- Attributable to owners of the Company --->			
	Share capital	Reorganisation reserve	Retained earnings	Total equity
	RM'000	RM'000	RM'000	RM'000
<b>At 1 January 2022 (Audited)</b>	61,255	(40,030)	53,735	74,960
<b>Total comprehensive income for the financial year</b>				
Profit for the financial year, representing total comprehensive income for the financial year	-	-	6,600	6,600
<b>Transaction with owners:</b>				
Dividends paid on shares	-	-	(999)	(999)
<b>At 31 December 2022 (Audited)</b>	<u>61,255</u>	<u>(40,030)</u>	<u>59,336</u>	<u>80,561</u>
<b>At 1 January 2023 (Audited)</b>	61,255	(40,030)	59,336	80,561
<b>Total comprehensive income for the financial period</b>				
Profit for the financial period, representing total comprehensive income for the financial period	-	-	4,777	4,777
<b>Transaction with owners:</b>				
Dividends paid on shares			(999)	(999)
<b>At 30 September 2023 (Unaudited)</b>	<u>61,255</u>	<u>(40,030)</u>	<u>63,114</u>	<u>84,339</u>

**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 <sup>(1)</sup>

	CURRENT YEAR TO-DATE <u>30.09.2023</u> Unaudited RM'000	PRECEDING YEAR TO-DATE <u>30.09.2022</u> Unaudited RM'000
<b>Cash flows from operating activities</b>		
Profit before tax	6,824	5,891
Adjustments for:		
Depreciation of property, plant and equipment	1,800	1,485
Gain on disposal of property, plant and equipment	(172)	(161)
Property, plant and equipment written off	-	4
Interest income	(168)	(201)
Finance costs	503	57
<b>Operating profit before changes in working capital</b>	<b>8,787</b>	<b>7,075</b>
<u>Changes in working capital:</u>		
Trade and other receivables	(21,502)	(10,545)
Contract assets	(16,172)	(10,403)
Trade and other payables	21,834	9,196
Contract liabilities	567	(32)
<b>Net cash used in operations</b>	<b>(6,486)</b>	<b>(4,709)</b>
Income tax paid	(1,852)	(1,932)
Interest paid	(447)	-
<b>Net cash used in operating activities</b>	<b>(8,785)</b>	<b>(6,641)</b>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(1,863)	(1,465)
Proceeds from disposal of property, plant and equipment	172	161
Change in other investments	(1,343)	(761)
Change in pledged deposits	(1,493)	(927)
Interest received	168	201
<b>Net cash used in investing activities</b>	<b>(4,359)</b>	<b>(2,791)</b>
<b>Cash flows from financing activities</b>		
Payment of lease liabilities	(374)	(370)
Payment of hire purchase	(365)	(435)
Drawdown from revolving credit	1,000	-
Drawdown from term loan	1,455	-
Payment of term loan	(28)	-
Dividend paid	(999)	-
<b>Net cash generated from/(used in) financing activities</b>	<b>689</b>	<b>(805)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(12,455)</b>	<b>(10,237)</b>
Cash and cash equivalents at the beginning of the financial period	19,854	30,124
<b>Cash and cash equivalents at the end of the financial period</b>	<b>7,399</b>	<b>19,887</b>
<b>Cash and cash equivalents at the end of the financial year comprises:</b>		
Short-term deposits	2,494	994
Less: Pledged deposits	(2,494)	(994)
	-	-
Cash and bank balances	15,531	19,887
Bank overdraft	(8,132)	-
	<b>7,399</b>	<b>19,887</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS <sup>(1)</sup> (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 38 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.

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**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>		<b>Effective for financial periods beginning on or after</b>
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.

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

**A8. Dividend Paid**

Dividends paid by the Company since the end of the previous financial year to the date of this report are as follows: -

- a) Second interim single tier dividend of 0.56 sen per ordinary share for the financial year ended 31 December 2022, amounted to RM998,595.87 computed based on 178,320,700 ordinary shares in issue was paid on 17 April 2023; and
- b) First interim single tier dividend of 0.56 sen per ordinary share for the financial year ending 31 December 2023, amounted to RM998,595.87 computed based on 178,320,700 ordinary shares in issue was paid on 16 October 2023.

**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: -

<b>Segments</b>	<b>Product and services</b>
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

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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	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
<b>Revenue:</b>				
Revenue from external customers:				
Building construction	83,221	49,668	220,011	136,532
Others	266	242	627	439
	<u>83,487</u>	<u>49,910</u>	<u>220,638</u>	<u>136,971</u>
Inter-segment revenue:				
Building construction	-	-	-	-
Others	721	692	2,064	1,955
Adjustment and eliminations	(721)	(692)	(2,064)	(1,955)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total:				
Building construction	83,221	49,668	220,011	136,532
Others	987	934	2,691	2,394
Adjustment and eliminations	(721)	(692)	(2,064)	(1,955)
	<u>83,487</u>	<u>49,910</u>	<u>220,638</u>	<u>136,971</u>
<b>Segment profit:</b>				
Building construction	6,757	5,748	19,410	16,385
Others	(75)	49	(535)	74
	<u>6,682</u>	<u>5,797</u>	<u>18,875</u>	<u>16,459</u>
Other income	303	252	500	453
Unallocated expenses	(4,233)	(4,004)	(12,048)	(10,964)
Finance costs	(209)	(18)	(503)	(57)
Income tax expense	(492)	(678)	(2,047)	(1,755)
Profit for the financial period	<u>2,051</u>	<u>1,349</u>	<u>4,777</u>	<u>4,136</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.

**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.

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

**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	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Rental expenses paid to the holding company	120	120	360	360

**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 %
	30.09.2023 Unaudited RM'000	30.09.2022 Unaudited RM'000		30.09.2023 Unaudited RM'000	30.09.2022 Unaudited RM'000	
Revenue	83,487	49,910	67.28	220,638	136,971	61.08
Gross profit	6,682	5,797	15.27	18,875	16,459	14.68
Profit before tax	2,543	2,027	25.46	6,824	5,891	15.84
Profit after tax	2,051	1,349	52.04	4,777	4,136	15.50
Profit attributable to owners of the Company	2,051	1,349	52.04	4,777	4,136	15.50

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 %
	30.09.2023 Unaudited RM'000	30.09.2022 Unaudited RM'000		30.09.2023 Unaudited RM'000	30.09.2022 Unaudited RM'000	
Building construction	83,221	49,668	67.55	220,011	136,532	61.14
Others	266	242	9.92	627	439	42.82
Total	83,487	49,910	67.28	220,638	136,971	61.08

For the third quarter ended 30 September 2023, the Group reported revenue of RM83.49 million, an increase of RM33.58 million or 67.28% as compared to RM49.91 million registered for the third 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 RM49.67 million for the third quarter ended 30 September 2022 to RM83.22 million for the quarter under review, representing an increase of RM33.55 million or 67.55%.

The increase in revenue arose mainly from the following on-going building construction projects undertaken by the Group subsequent to the third quarter ended 30 September 2022 which contributed to revenue in the quarter ended 30 September 2023 of approximately RM36.71 million: -

- (i) 283 DSTH Meridin East - Parcel 1C Project,
- (ii) 77 TSSO Bandar Jaya Putra Project,
- (iii) 262 DSTH Gelang Patah Project,
- (iv) 186 SSTH Bandar Putra Project, and
- (v) 170 DSCH Mutiara Maju Project.

In addition, the increase in revenue for the building construction segment was also attributed by the increase in percentage of completion recognised in the quarter under review in relation to the Group's on-going construction projects totalling approximately RM17.66 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) 99 TSSO Bandar Jaya Putra Project,
- (iii) 121 DSTV Aurora Sentral Project, and
- (iv) 108 DSTH Meridin East – Parcel 2H3 Project.

The increase in revenue above was offset by the decrease in revenue totalling approximately RM21.59 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) 264 DSTH Bandar Jaya Putra Project,
- (ii) Bandar Jaya Putra Project,
- (iii) 122 DSTH Bandar Putra Project,
- (iv) 217 DSTH Mutiara Maju Project,
- (v) 206 DSTH Gelang Patah Project,
- (vi) 159 SSTH Taman Impian Emas Project,
- (vii) 155 DSTH Meridin East - Parcel 2H1 Project, and
- (viii) 216 Strata Townhouse Bandar Putra Project.

For the current quarter, the Group reported gross profit at RM6.68 million, representing an increase by RM0.88 million or 15.27% as compared to the gross profit of RM5.80 million registered for the third quarter ended 30 September 2022. However, the gross profit margin decreased to 8.00% for the current quarter as compared to 11.61% registered for the corresponding quarter of the preceding year. This was largely attributed to the increase in building construction costs arising from the price hikes of building materials and higher labour costs as well as costs incurred for the Group's agriculture activities which commenced business during the first quarter of the current financial year. Despite the lower gross profit margin recorded, the profit before tax and profit after tax of the Group for the current quarter increased to RM2.54 million and RM2.05 million respectively representing increase of 25.46% and 52.04% respectively as compared to the results reported for the corresponding quarter of the preceding financial year mainly due to the higher revenue.

For the financial year-to-date, the Group reported a higher revenue of RM220.64 million, representing an increase of RM83.67 million or 61.08% as compared to RM136.97 million registered for the corresponding period in the preceding financial year. However, gross profit margin declined to 8.55% for the financial period under review as compared to 12.02% registered for the financial period ended 30 September 2022 owing to the increase in building construction costs as well as the costs incurred for the Group's agriculture activities as explained in the foregoing paragraph. In line with the increase in revenue, gross profit for the financial period ended 30 September 2023 increased by RM2.42 million or 14.68% to RM18.88 million as compared to RM16.46 million registered for corresponding period of the preceding financial year. Consequently, profit before tax increased by RM0.93 million or 15.84% to RM6.82 million as compared to RM5.89 million registered for the financial period ended 30 September 2022. As compared to the profit after tax for the financial period ended 30 September 2022 of RM4.14 million, profit after tax for the financial period under review increased to RM4.78 million.

**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**

	QUARTER ENDED		Changes %
	30.09.2023 Unaudited RM'000	30.06.2023 Unaudited RM'000	
Revenue	83,487	69,138	20.75
Gross profit	6,682	5,629	18.71
Profit before tax	2,543	1,570	61.97
Profit after tax	2,051	871	135.48
Profit attributable to owners of the Company	2,051	871	135.48

The Group reported an increase in revenue by RM14.35 million or 20.75% from RM69.14 million registered for the immediate preceding quarter to RM83.49 million for the quarter under review.

The Group registered a marginal decrease in gross profit margin at 8.00% for the current quarter as compared to 8.14% achieved for the immediate preceding quarter. In line with the increase in revenue as explained in the foregoing paragraph, the Group recorded an increase in gross profit by RM1.05 million or 18.71% from RM5.63 million for the quarter ended 30 June 2023 to RM6.68 million for the quarter under review.

Corresponding to the above, the profit before tax and profit after tax of the Group increased to RM2.54 million and RM2.05 million for the current quarter as compared to the results of the immediate preceding quarter of RM1.57 million and RM0.87 million respectively.

**B3. Prospects**

"The Malaysian economy expanded by 3.3% in the third quarter of 2023 (2Q 2023: 2.9%). On a quarter-on-quarter seasonally adjusted basis, the economy grew by 2.6% (2Q 2023: 1.5%). Overall, the Malaysian economy expanded by 3.9% in the first three quarters of 2023.

Despite the challenging global environment, the Malaysian economy is projected to expand by around 4% in 2023 and 4% - 5% in 2024. Growth will continue to be driven by the expansion in domestic demand amid steady employment and income prospects, particularly in domestic-oriented sectors. The growth outlook remains subject to downside risks stemming primarily from weaker-than-expected external demand as well as larger and more protracted declines in commodity production. However, there are upside risk factors such as stronger-than-expected tourism activity, a stronger recovery from the E&E downcycle, and faster implementation of existing and new investment projects" (Source: Bank Negara Malaysia's Economic and Financial Developments in Malaysia in the Third Quarter of 2023).

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

### **B3. Prospects (Cont'd)**

“For the construction sector, the value of work done in the third quarter 2023 remained increased by 9.6 per cent (Q2 2023: 8.1%) year-on-year basis, amounting to RM33.4 billion (Q2 2023: RM32.4 billion). Meanwhile, a quarter-on-quarter comparison showed the value of work increased 3.4 per cent in the third quarter 2023” (Source: *Department of Statistics Malaysia’s Quarterly Construction Statistics, Third Quarter 2023*).

“The construction sector improved steadily by 6.8% in the first half of 2023 mainly driven by the civil engineering and special construction activities subsectors. The civil engineering subsector rebounded, supported by the acceleration of ongoing infrastructure and utilities projects, which include East Coast Rail Link (ECRL) and Large Scale Solar 4 projects. The non-residential buildings and residential buildings subsectors also registered positive growth in line with vibrant economic activities.

The sector is forecast to expand by 5.9% in the second half of the year supported by growth in all subsectors. The residential buildings subsector is anticipated to remain encouraging on the back of Government’s initiatives such as i-MILIKI and Housing Credit Guarantee Scheme in assisting first-time home buyers, spurring demand for home ownership. Similarly, the non-residential buildings subsector is envisaged to increase, particularly with the realisation of approved private investments. The continuous implementation of strategic infrastructure and utilities projects will further support the civil engineering subsector. For the year, performance of the sector is expected to remain steady and grow by 6.3%” (Source: *Belanjawan 2024, Malaysia Madani, Economic Outlook 2024, Ministry of Finance Malaysia*).

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. 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.



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

**B5. Income Tax Expense**

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	30.09.2023 Unaudited RM'000	30.09.2022 Unaudited RM'000	30.09.2023 Unaudited RM'000	30.09.2022 Unaudited RM'000
Income tax - current period	681	628	2,236	1,705
Income tax - prior period/year	1	50	1	50
Deferred tax	(190)	-	(190)	-
<b>Total income tax expense</b>	<b>492</b>	<b>678</b>	<b>2,047</b>	<b>1,755</b>
Effective tax rate (%)	19.35 <sup>(1)</sup>	33.45	30.00 <sup>(2)</sup>	29.79
Statutory tax rate (%)	24.00	24.00	24.00	24.00

**Note:**

- (1) The effective tax rate for the current quarter was lower than the statutory tax rate mainly due to an adjustment made during the quarter under review to account for deferred tax on losses incurred by the Company's subsidiary on its agricultural activities of managing and harvesting of durian and other fruits.
- (2) The effective tax rate for the financial year-to-date was 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**

- (a) As at 30 September 2023, the status of utilisation of the gross proceeds of RM20.40 million raised from the IPO is as follows:

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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 (Cont'd)**

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

**Notes:**

- (1) The actual utilisation for purchase of construction machinery, equipment as well as new contract management and accounting software and office equipment (i.e. scaffoldings) and the listing expenses were lower than their estimated sums by RM0.88 million and RM0.13 million respectively, hence the total surplus of RM1.01 million was adjusted to and utilised as working capital for the Group's construction projects.
- (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) The gross proceeds of RM20.40 million raised from the IPO has been fully utilised by the Group within the stipulated time frame of 24 months from the date of the IPO, i.e. not later than 21 July 2023.

**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:

	<b>As At 30.09.2023 Unaudited RM'000</b>	<b>As At 31.12.2022 Audited RM'000</b>
<b>Non-current</b>		
Lease liabilities	35	242
Hire purchase	507	375
Term loan	1,182	-
	<b>1,724</b>	<b>617</b>
<b>Current</b>		
Lease liabilities	377	463
Hire purchase	440	386
Bank overdraft	8,132	5,530
Revolving credit	1,000	-
Term loan	254	-
	<b>10,203</b>	<b>6,379</b>
<b>Total borrowings</b>	<b>11,927</b>	<b>6,996</b>

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

**B9. Material Litigation**

As at 22 November 2023 (being a date not earlier than 7 days from the date of issue of this report), there was no material litigation or arbitration by/against the Group, which has a material effect on the financial position of the Group and the 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	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	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	-
First interim single tier dividend of 0.56 sen per ordinary share for the financial year ending 31 December 2023, declared on 24 August 2023 and paid on 16 October 2023	999	-	999	-
First interim single tier dividend of 0.56 sen per ordinary share for the financial year ended 31 December 2022, declared on 24 August 2022 and paid on 7 October 2022	-	999	-	999
	<u>999</u>	<u>999</u>	<u>1,998</u>	<u>999</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	
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company (RM'000)	2,051	1,349	4,777	4,136
Weighted average number of shares in issue <sup>(1)</sup> ('000)	178,321	178,321	178,321	178,321
Basic earnings per share <sup>(1)</sup> (sen)	1.15	0.76	2.68	2.32

**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	
	30.09.2023 Unaudited RM'000	30.09.2022 Unaudited RM'000	30.09.2023 Unaudited RM'000	30.09.2022 Unaudited RM'000
Interest income	45	61	168	201
Gain on disposal of property, plant and equipment	170	161	172	161
Other income	88	30	160	91
Finance costs	(209)	(18)	(503)	(57)
Depreciation of property, plant and equipment	(782)	(524)	(1,800)	(1,485)

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 27 November 2023.