



HAILY GROUP BERHAD

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

**Unaudited Interim Financial Report
For The Second Quarter Ended
30 June 2024**

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME⁽¹⁾

	Note	QUARTER ENDED		YEAR-TO-DATE ENDED	
		30.06.2024	30.06.2023	30.06.2024	30.06.2023
		Unaudited	Unaudited	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	82,613	69,138	154,726	137,151
Cost of sales		(74,344)	(63,509)	(140,163)	(124,958)
Gross profit		8,269	5,629	14,563	12,193
Other income		160	35	233	74
Administrative expenses		(4,759)	(3,972)	(8,899)	(7,815)
Operating profit		3,670	1,692	5,897	4,452
Interest income		46	54	81	123
Finance costs		(156)	(176)	(264)	(294)
Profit before tax	B12	3,560	1,570	5,714	4,281
Income tax expense	B5	(1,043)	(699)	(1,668)	(1,555)
Profit for the financial period, representing total comprehensive income for the financial period		2,517	871	4,046	2,726
Total comprehensive income attributable to:					
Owners of the Company		2,517	871	4,046	2,726
Non-controlling Interest		-	-	-	-
		2,517	871	4,046	2,726
Earnings Per Share attributable to owners of the Company (sen)⁽²⁾					
Basic/Diluted ⁽³⁾	B11	1.38	0.49	2.24	1.53

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 2023 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 30.06.2024	As at 31.12.2023
		Unaudited	Audited
	Note	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment		7,036	6,822
Other investments		3,995	3,995
Deferred tax assets		242	80
Total non-current assets		11,273	10,897
Current assets			
Current tax assets		2	2
Trade and other receivables		93,987	94,060
Contract assets		78,884	65,665
Cash and short-term deposits		26,559	15,408
Total current assets		199,432	175,135
TOTAL ASSETS		210,705	186,032
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital		69,476	61,255
Reorganisation reserve		(40,030)	(40,030)
Retained earnings		67,524	64,691
TOTAL EQUITY		96,970	85,916
Non-current liabilities			
Borrowings	B8	2,098	2,185
Deferred tax liabilities		146	146
Total non-current liabilities		2,244	2,331
Current liabilities			
Borrowings	B8	6,808	5,878
Tax liabilities		2,144	1,191
Trade and other payables		102,539	90,701
Contract liabilities		-	15
Total current liabilities		111,491	97,785
TOTAL LIABILITIES		113,735	100,116
TOTAL EQUITY AND LIABILITIES		210,705	186,032
Net assets per ordinary share attributable to owners of the Company (RM) ⁽²⁾		0.49	0.48

**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 2023 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 June 2024 of 196,152,700 shares (31 December 2023: 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 2023 (Audited)	61,255	(40,030)	59,336	80,561
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year	-	-	7,352	7,352
Transaction with owners				
Dividends paid on shares	-	-	(1,997)	(1,997)
At 31 December 2023 (Audited)	<u>61,255</u>	<u>(40,030)</u>	<u>64,691</u>	<u>85,916</u>
At 1 January 2024 (Audited)	61,255	(40,030)	64,691	85,916
Total comprehensive income for the financial period				
Profit for the financial period, representing total comprehensive income for the financial period	-	-	4,046	4,046
Transaction with owners:				
Shares issued pursuant to the private placement	8,221	-	-	8,221
Dividends paid on shares	-	-	(1,213)	(1,213)
At 30 June 2024 (Unaudited)	<u>69,476</u>	<u>(40,030)</u>	<u>67,524</u>	<u>96,970</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 2023 and the accompanying explanatory notes attached to this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS⁽¹⁾

	CURRENT YEAR TO-DATE 30.06.2024 Unaudited RM'000	PRECEDING YEAR TO-DATE 30.06.2023 Unaudited RM'000
Cash flows from operating activities		
Profit before tax	5,714	4,281
Adjustments for:		
Depreciation of property, plant and equipment	1,410	1,018
Gain on disposal of property, plant and equipment	-	(2)
Interest income	(81)	(123)
Finance costs	264	294
Operating profit before changes in working capital	7,307	5,468
<u>Changes in working capital:</u>		
Trade and other receivables	31	(15,311)
Contract assets	(13,219)	(16,398)
Trade and other payables	11,879	12,238
Contract liabilities	(14)	6,250
Net cash from/(used in) operations	5,984	(7,753)
Income tax paid	(877)	(1,041)
Interest paid	(170)	(262)
Net cash from/(used in) operating activities	4,937	(9,056)
Cash flows from investing activities		
Purchase of property, plant and equipment	(1,304)	(426)
Proceeds from disposal of property, plant and equipment	-	2
Change in pledged deposits	(784)	(810)
Interest received	81	123
Net cash used in investing activities	(2,007)	(1,111)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares pursuant to the private placement	8,221	-
Payment of lease liabilities	(252)	(246)
Payment of hire purchase	(255)	(259)
Proceeds from revolving credit	-	1,000
Payment of term loan	(172)	-
Dividend paid	(1,213)	(999)
Net cash from/(used in) financing activities	6,329	(504)
Net increase/(decrease) in cash and cash equivalents	9,259	(10,671)
Cash and cash equivalents at the beginning of the financial period	9,008	19,854
Cash and cash equivalents at the end of the financial period	18,267	9,183
Cash and cash equivalents at the end of the financial period comprises:		
Short-term deposits	3,293	1,812
Less: Pledged deposits	(3,293)	(1,812)
	-	-
Cash and bank balances	23,266	16,554
Bank overdraft	(4,999)	(7,371)
	18,267	9,183

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 2023 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 2023 and the accompanying explanatory notes attached to this interim financial report.

A2. Material Accounting Policies

The material 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 2023:

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

<u>Amendments to MFRSs</u>	
MFRS 7	Financial Instruments: Disclosures
MFRS 16	Leases
MFRS 101	Presentation of Financial Statements
MFRS 107	Statement of Cash Flows

The adoption of the above amendments 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 amendments to MFRSs that have been issued, but yet to be effective:

<u>Amendments to MFRSs</u>		Effective for financial periods beginning on or after
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

The Group will adopt the abovementioned standards, amendments or interpretations, if applicable, when they become effective in the respective financial periods.

A. EXPLANATORY NOTES IN COMPLIANCE WITH MALYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)

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 2023.

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 except for new shares issued under the private placement of 17,832,000 new ordinary shares in Haily (“Placement Share(s)”) (“Private Placement”) which was completed on 11 June 2024 as follows: -

	No. of shares	RM
Issued share capital as at 1 January 2024/31 March 2024	178,320,700	61,254,988
New shares issued pursuant to the Private Placement	17,832,000	8,220,552
Enlarged share capital as at 30 June 2024	196,152,700	69,475,540

A8. Dividend Paid

A second interim single tier dividend of 0.68 sen per ordinary share for the financial year ended 31 December 2023, amounted to RM1,212,580.71 computed based on 178,320,700 ordinary shares in issue was paid on 21 May 2024.

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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	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Revenue:				
Revenue from external customers:				
Building construction	80,504	68,850	152,491	136,790
Others	2,109	288	2,235	361
	<u>82,613</u>	<u>69,138</u>	<u>154,726</u>	<u>137,151</u>
Inter-segment revenue:				
Building construction	-	-	-	-
Others	1,763	653	4,349	1,343
Adjustment and eliminations	<u>(1,763)</u>	<u>(653)</u>	<u>(4,349)</u>	<u>(1,343)</u>
	-	-	-	-
Total:				
Building construction	80,504	68,850	152,491	136,790
Others	3,872	941	6,584	1,704
Adjustment and eliminations	<u>(1,763)</u>	<u>(653)</u>	<u>(4,349)</u>	<u>(1,343)</u>
	<u>82,613</u>	<u>69,138</u>	<u>154,726</u>	<u>137,151</u>
Segment profit:				
Building construction	7,591	5,797	14,563	12,652
Others	678	(168)		(459)
	<u>8,269</u>	<u>5,629</u>	<u>14,563</u>	<u>12,193</u>
Other income	160	35	233	74
Unallocated expenses	(4,759)	(3,972)	(8,899)	(7,815)
Interest income	46	54	81	123
Finance costs	(156)	(176)	(264)	(294)
Income tax expense	<u>(1,043)</u>	<u>(699)</u>	<u>(1,668)</u>	<u>(1,555)</u>
Profit for the financial period	<u>2,517</u>	<u>871</u>	<u>4,046</u>	<u>2,726</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

On 10 July 2024, TA Securities Holdings Berhad (“TA Securities”) on behalf of the Board of Directors (“Board”) of Haily announced that the Company proposed to undertake the following:

- (i) proposed bonus issue of 196,152,700 new ordinary shares in Haily (“Haily Share(s)” or “Shares(s)”) (“Bonus Share(s)”) on the basis of 1 Bonus Share for every 1 existing Haily Share held by the shareholders of Haily whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined and announced later (“Proposed Bonus Issue of Shares”); and
- (ii) proposed free warrant issue of up to 196,152,700 free warrants in Haily (“Warrant(s)”) on the basis of 1 Warrant for every 2 existing Shares held by the shareholders of Haily whose names appear in the Record of Depositors of the Company at the close of business on an entitlement date to be determined and announced later (“Proposed Free Warrants Issue”).

(Collectively referred to as the “Proposals”)

The listing application in relation to the Proposals was submitted on 15 July 2024 for the approval of Bursa Securities for the:

- (a) admission to the Official List and listing and quotation of up to 196,152,700 Warrants to be issued pursuant to the Proposed Free Warrants Issue; and
- (b) listing of and quotation of:
 - up to 196,152,700 new Shares to be issued arising from the exercise of the Warrants; and
 - 196,152,700 Bonus Shares to be issued arising from the Proposed Bonus Issue of Shares.

The approval has been given by Bursa Securities in its letter dated 2 August 2024 subject to, amongst others, the following conditions:

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

A11. Material Subsequent Events (Cont'd)

Proposed Bonus Issue of Shares

Conditions	
(a)	Haily and TA Securities must fully comply with the relevant provisions under the ACE Market Listing Requirements (“Listing Requirements”) pertaining to the implementation of the Proposed Bonus Issue of Shares;
(b)	Haily and TA Securities to inform Bursa Securities upon the completion of the Proposed Bonus Issue of Shares;
(c)	Haily to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Bonus Issue of Shares is completed; and
(d)	Haily and TA Securities are required to make the relevant announcements pursuant to Rules 6.36(2)(a) & (b) and 6.36(4) of the Listing Requirements.

Proposed Free Warrants Issue

Conditions	
(a)	Haily and TA Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Free Warrants Issue;
(b)	Haily and TA Securities to inform Bursa Securities upon the completion of the Proposed Free Warrants Issue;
(c)	Haily to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposed Free Warrants Issue is completed; and
(d)	Haily to furnish Bursa Securities on a quarterly basis a summary of the total number of Shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.

At the Company’s extraordinary general meeting convened on 28 August 2024, the Company obtained the approval of the shareholders for the Proposals.

As at the date of this report, the Company has not completed the Proposals. On 28 August 2024, the Company announced that the entitlement date for the Proposed Bonus Issue of Shares is 12 September 2024. The entitlement date of the Warrants will be announced after the completion of the Proposed Bonus Issue of Shares. The Proposals are expected to be completed in the 4th quarter of 2024.

Save for the above, there was no other 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.

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

A14. Significant Related Party Transaction

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Rental expenses paid to the holding company	120	120	240	240

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 %
	30.06.2024 Unaudited RM'000	30.06.2023 Unaudited RM'000		30.06.2024 Unaudited RM'000	30.06.2023 Unaudited RM'000	
Revenue	82,613	69,138	19.49	154,726	137,151	12.81
Gross profit	8,269	5,629	46.90	14,563	12,193	19.44
Profit before tax	3,560	1,570	126.75	5,714	4,281	33.47
Profit after tax	2,517	871	188.98	4,046	2,726	48.42
Profit attributable to owners of the Company	2,517	871	188.98	4,046	2,726	48.42

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 %
	30.06.2024 Unaudited RM'000	30.06.2023 Unaudited RM'000		30.06.2024 Unaudited RM'000	30.06.2023 Unaudited RM'000	
Building construction	80,504	68,850	16.93	152,491	136,790	11.48
Others	2,109	288	632.29	2,235	361	519.11
Total	82,613	69,138	19.49	154,726	137,151	12.81

For the second quarter ended 30 June 2024, the Group reported revenue of RM82.61 million, an increase of RM13.47 million or 19.49% as compared to RM69.14 million registered for the second 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 RM68.85 million for the second quarter ended 30 June 2023 to RM80.50 million for the quarter under review, representing an increase of RM11.65 million or 16.93%.

The increase in revenue arose mainly from the following on-going building construction projects undertaken by the Group subsequent to the second quarter ended 30 June 2023 which contributed to revenue in the quarter under review of approximately RM45.06 million: -

- (i) 170 DSCH Mutiara Maju Project,
- (ii) 327 DSTH Meridin East – Parcel 2G Project,
- (iii) 76 DSCH Taman Impian Emas Project,
- (iv) 120 DSCH Bandar Putra Project,
- (v) 220 DSTH Banda Jaya Putra Project, and
- (vi) 332 DSTH Gelang Patah 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 RM22.10 million, namely: -

- (i) 283 DSTH Meridin East - Parcel 1C Project,
- (ii) 262 DSTH Gelang Patah Project,
- (iii) 186 SSTH Bandar Putra Project, and
- (iv) Indahpura Food Court (Building) Project.

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)

The increase in revenue above was offset by the decrease in revenue totalling approximately RM55.43 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) 147 DSTV Aurora Sentral Project,
- (ii) Aurora Sentral Clubhouse Project,
- (iii) 217 DSTH Mutiara Maju Project,
- (iv) 206 DSTH Gelang Patah Project,
- (v) 159 SSTH Taman Impian Emas Project,
- (vi) 66 DSTH Kluang Project,
- (vii) 155 DSTH Meridin East - Parcel 2H1 Project,
- (viii) 176 SSTH Taman Impian Emas Project,
- (ix) 99 TSSO Bandar Jaya Putra Project,
- (x) 121 DSTV Aurora Sentral Project,
- (xi) 108 DSTH Meridin East - Parcel 2H3 Project, and
- (xii) 77 TSSO Bandar Jaya Putra Project.

The Group reported a higher gross profit margin of 10.01% for the current quarter as compared to 8.14% registered for the corresponding quarter of the preceding year. The improvement in the gross profit margin was mainly due to the positive impacts of mitigating actions taken by the Company after the escalation in building construction costs arising from hikes in prices of building construction materials as well as increase in cost of hiring of foreign labours that occurred in the second quarter ended 30 June 2023 which included, amongst others, tendering new projects taking into consideration the trend of the fluctuations and the prices of the building construction materials.

In line with the increase in revenue as well as the higher gross profit margin as explained in the foregoing paragraphs, the Group reported a higher gross profit at RM8.27 million for the current quarter, representing an increase of RM2.64 million or 46.90% as compared to the gross profit of RM5.63 million registered for the second quarter ended 30 June 2023. Consequently, the profit before tax and profit after tax of the Group for the current quarter increased to RM3.56 million and RM2.52 million respectively representing an increase of 126.75% and 188.98% respectively as compared to the results reported for the corresponding quarter of the preceding financial year.

For the financial year-to-date, the Group reported a higher revenue of RM154.73 million, representing an increase of RM17.58 million or 12.81% as compared to RM137.15 million registered for the corresponding period in the preceding financial year. In line with the higher revenue, the Group's gross profit for the financial period ended 30 June 2024 increased by RM2.37 million or 19.44% to RM14.56 million as compared to RM12.19 million registered for corresponding period of the preceding financial year. The gross profit margin increased to 9.41% for the financial period under review as compared to 8.89% registered for the financial period ended 30 June 2023 mainly due to the reasons and mitigating measures undertaken by the Group as explained in the foregoing paragraph. Consequently, profit before tax increased by RM1.43 million or 33.47% to RM5.71 million as compared to RM4.28 million registered for the financial period ended 30 June 2023. As compared to the financial period ended 30 June 2023 of RM2.73 million, profit after tax for the financial period under review increased to RM4.05 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 %
	30.06.2024 Unaudited RM'000	31.03.2024 Unaudited RM'000	
Revenue	82,613	72,113	14.56
Gross profit	8,269	6,294	31.38
Profit before tax	3,560	2,154	65.27
Profit after tax	2,517	1,529	64.62
Profit attributable to owners of the Company	2,517	1,529	64.62

The Group reported an increase in revenue by RM10.50 million or 14.56% from RM72.11 million registered for the immediate preceding quarter to RM82.61 million for the quarter under review. The increase was in tandem with the construction activities and progress of the Group's on-going projects.

For the current quarter, the Group registered a higher gross profit margin at 10.01% as compared to 8.73% achieved for the immediate preceding quarter. The increase was mainly contributed from building construction projects and civil engineering construction works with improved margin undertaken in the current quarter. Consequently, this resulted in the increase in gross profit by RM1.98 million or 31.38% from RM6.29 million for the first quarter ended 31 March 2024 to RM8.27 million for the quarter under review.

Corresponding to the above, the profit before tax and profit after tax of the Group increased to RM3.56 million and RM2.52 million for the current quarter as compared to the results of the immediate preceding quarter of RM2.15 million and RM1.53 million respectively.

B3. Prospects

Overview and outlook of the Malaysian economy

"The Malaysian economy advanced by 5.9% in the second quarter of 2024 (1Q 2024: 4.2%). The growth is driven by stronger domestic demand and further expansion in exports. Household spending increased amid sustained positive labour market conditions and larger policy support. Investment activity was underpinned by continued progress in multi-year projects and capacity expansion by firms. Exports improved amid higher external demand and positive spillovers from the global tech upcycle. On a quarter-on-quarter seasonally-adjusted basis, the economy expanded by 2.9% (1Q 2024: 1.5%)

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

B3. Prospects (Cont'd)

Overview and outlook of the Malaysian economy (Cont'd)

Growth in the second half of 2024 will be driven by domestic spending with continued strong support from external demand. On the domestic front, household spending will be underpinned by continued employment and wage growth as well as policy measures. Investment activities will be driven by progress in multi-year projects across private and public sectors. Catalytic initiatives announced in national master plans and the higher realisation of approved investments are also key drivers for investment activities. Externally, the ongoing global tech upcycle and continued strong demand for non-electrical and electronics goods are expected to lift exports. Improvement in tourist arrivals and spending are expected to continue. Upside risks to growth include greater spillover from the tech upcycle, robust tourism activities, and faster implementation of existing and new investment projects. Downside risks to Malaysia's growth prospects stem from a downturn in external demand, an escalation in geopolitical conflicts and lower-than-expected commodity production" (Source: Bank Negara Malaysia's Economic and Financial Developments in Malaysia in the Second Quarter of 2024).

"The Malaysian economy grew by 3.7% in 2023 despite facing challenges stemming from weak external demand, disruptions in commodity production and higher cost of living. The Malaysian economy is projected to grow between 4% - 5% in 2024, underpinned by continued expansion in domestic demand and improvement in external demand. Growth will be driven by resilient domestic expenditure, with additional support from the expected recovery in exports. Tourism is expected to improve further, while the implementation of new and ongoing multi-year projects by both the private and public sectors would support investment activity. Nevertheless, domestic growth remains subject to downside risks from both external and domestic factors. External factors include a weaker-than-expected global growth and further escalation of geopolitical conflict. Domestically, more severe shocks on commodity production and the implementation of subsidy rationalisation could also weigh on the growth outlook, although this could be partially offset by targeted cash assistance from the Government. Greater spillover from the tech upcycle, stronger-than-expected tourism activity, and faster implementation of existing and new investment projects would provide upside risks to the domestic growth" (Source: Bank Negara Malaysia's Economic and Monetary Review 2023).

Overview and outlook of the construction sector in Malaysia

"The value of work done in the Construction sector amounted to RM38.9 billion in the second quarter of 2024, which accelerated further by 20.2 per cent following a 14.2 per cent increase in the previous quarter. Nearly 59.0 per cent of the work done value was concentrated in Selangor, Johor, Sarawak and Wilayah Persekutuan (Kuala Lumpur, Putrajaya and Labuan). The Construction value in Selangor amounted to RM8.7 billion or 22.4 per cent. Meanwhile, Johor ranked second with a value of RM5.4 billion or 13.8 per cent. In the meantime, the value of work done in Sarawak was RM4.5 billion (11.7%), while Wilayah Persekutuan recorded RM4.3 billion (11.2%). Summarising the performance of the Construction work done for the first half of 2024, the sector posted a value of RM75.7 billion, reflecting a 17.2 per cent increase compared to the same period in 2023 (Q1 2023 to Q2 2023: 8.7%)" (Source: Department of Statistics Malaysia's Construction Statistics, Second Quarter 2024).

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

B3. Prospects (Cont'd)

Overview and outlook of the construction sector in Malaysia (Cont'd)

“The construction sector is expected to grow by 6.7% in 2024 (2023: 6.1%), driven by continued activities in the civil engineering, special trade and residential subsectors. This will be supported by new and ongoing large infrastructure and small-scale projects under the Budget 2024, New Industrial Master Plan 2030 (NIMP 2030) and National Energy Transformation Roadmap. Meanwhile, growth in residential subsector will be driven by new housing launches amid further improvement in housing demand” (Source: *Bank Negara Malaysia’s Economic and Monetary Review 2023*).

Premised on the outlook as set out above, the Group is cautiously optimistic of the continuing demand for its provision of building construction of residential and non-residential buildings for the financial year ending 31 December 2024 after having considered the positive outlook of the construction sector.

The Group will continue to focus on its core competency in building construction in Johor, as supported by its track record of 16 years since the commencement of its business operations in 2008. While the Group’s on-going projects are mainly focussed in the districts of Johor Bahru, Kulai, Pontian and Kluang, all in Johor, the Group will continue to leverage on its experience and extend its reach to other districts in Johor and focus on construction projects involving residential, commercial and industrial buildings. The Group will continue to tender for projects located at other districts in Johor, should the opportunities arise. Moving forward, the Group expects its performance to be continuously driven by its ability to successfully complete the on-going construction projects.

The Group has been continuously seeking 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.

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.

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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	
	30.06.2024 Unaudited RM'000	30.06.2023 Unaudited RM'000	30.06.2024 Unaudited RM'000	30.06.2023 Unaudited RM'000
Income tax - current	1,043	699	1,668	1,555
Effective tax rate ⁽¹⁾ (%)	29.30	44.52	29.19	36.32
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

Save for the Proposed Bonus Issue of Shares and Proposed Free Warrants Issue as explained in section A11 above, there are no other corporate proposals announced but not implemented.

B7. Status of Utilisation of Proceeds Raised from the Private Placement

- (a) As at 30 June 2024, the status of utilisation of the gross proceeds of RM8.22 million raised from the Private Placement is as follows:

	Actual proceeds raised RM'000	Actual utilisation RM'000	Balance unutilised RM'000	Estimated timeframe for utilisation from the date of listing of the Placement Shares
Working capital ⁽¹⁾	8,116	4,133	3,983	Within 24 months
Expenses relating to the Private Placement	105	105	-	Immediate
Total	8,221	4,238	3,983	

Notes:

- (1) The proceeds are earmarked for the Group's working capital (i.e. payment to the subcontractors for amongst others, building works, mechanical and electrical works, earth works and site preparation works as well as the suppliers of construction materials such as concrete and cement materials, steel-based materials, brickwork materials, tiles, timber and plywood) of the Group's ongoing construction projects. The breakdown for the actual utilisation of the proceeds from the Private Placement by the Group is as follows:

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 Private Placement (Cont'd)

Notes: (Cont'd)

Working capital	RM'000
Payment to the subcontractors (includes building works, mechanical and electrical works)	504
Payment to the suppliers of construction materials (includes concrete and cement materials, steel-based materials, tiles, timber and plywood)	3,629
Total	4,133

- (b) The gross proceeds of RM8.22 million raised from the Private Placement will be utilised by the Group within the stipulated time frame of 24 months from the date of listing of the Placement Shares, i.e. not later than 10 June 2026.

B8. Borrowings

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

	As At 30.06.2024 Unaudited RM'000	As At 31.12.2023 Audited RM'000
Non-current:		
Lease liabilities	679	661
Hire purchase	439	408
Term loan	980	1,116
	2,098	2,185
Current:		
Lease liabilities	65	308
Hire purchase	477	422
Bank overdraft	4,999	3,890
Revolving credit	1,000	1,000
Term loan	267	258
	6,808	5,878
Total borrowings	8,906	8,063

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

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

B9. Material Litigation

As at 23 August 2024 (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.

B10. Dividends

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

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Second interim single tier dividend of 0.68 sen per ordinary share for the financial year ended 31 December 2023, declared on 27 March 2024 and paid on 21 May 2024	-	-	1,213	-
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
	-	-	1,213	999

(b) On 28 August 2024, the Directors declared a first interim single tier dividend of 0.31 sen per ordinary shares for the financial year ending 31 December 2024, amounting to RM1,216,146.74 which will be payable on 11 October 2024 to members whose names appear in the Record of Depositors on 18 September 2024. The first interim single tier dividend is computed based on the enlarged share capital in issue after the completion of the Proposed Bonus Issue of Shares of 392,305,400 ordinary shares. As mentioned under Section A11 above, the Company had announced that the entitlement date for the Proposed Bonus Issue of Shares is 12 September 2024, which will be prior to the entitlement date of the first interim single tier dividend of 18 September 2024.

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	
	30.06.2024	30.06.2023	30.06.2024	30.06.2023
	Unaudited	Unaudited	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company (RM'000)	2,517	871	4,046	2,726
Weighted average number of shares in issue ⁽¹⁾ ('000)	183,024	178,321	180,672	178,321
Basic earnings per share ⁽¹⁾ (sen)	1.38	0.49	2.24	1.53

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	
	30.06.2024 Unaudited RM'000	30.06.2023 Unaudited RM'000	30.06.2024 Unaudited RM'000	30.06.2023 Unaudited RM'000
Interest income	46	54	81	123
Gain on disposal of property, plant and equipment	-	-	-	2
Other income	160	35	233	72
Finance costs	(156)	(176)	(264)	(294)
Depreciation of property, plant and equipment	(727)	(518)	(1,410)	(1,018)

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 28 August 2024.

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