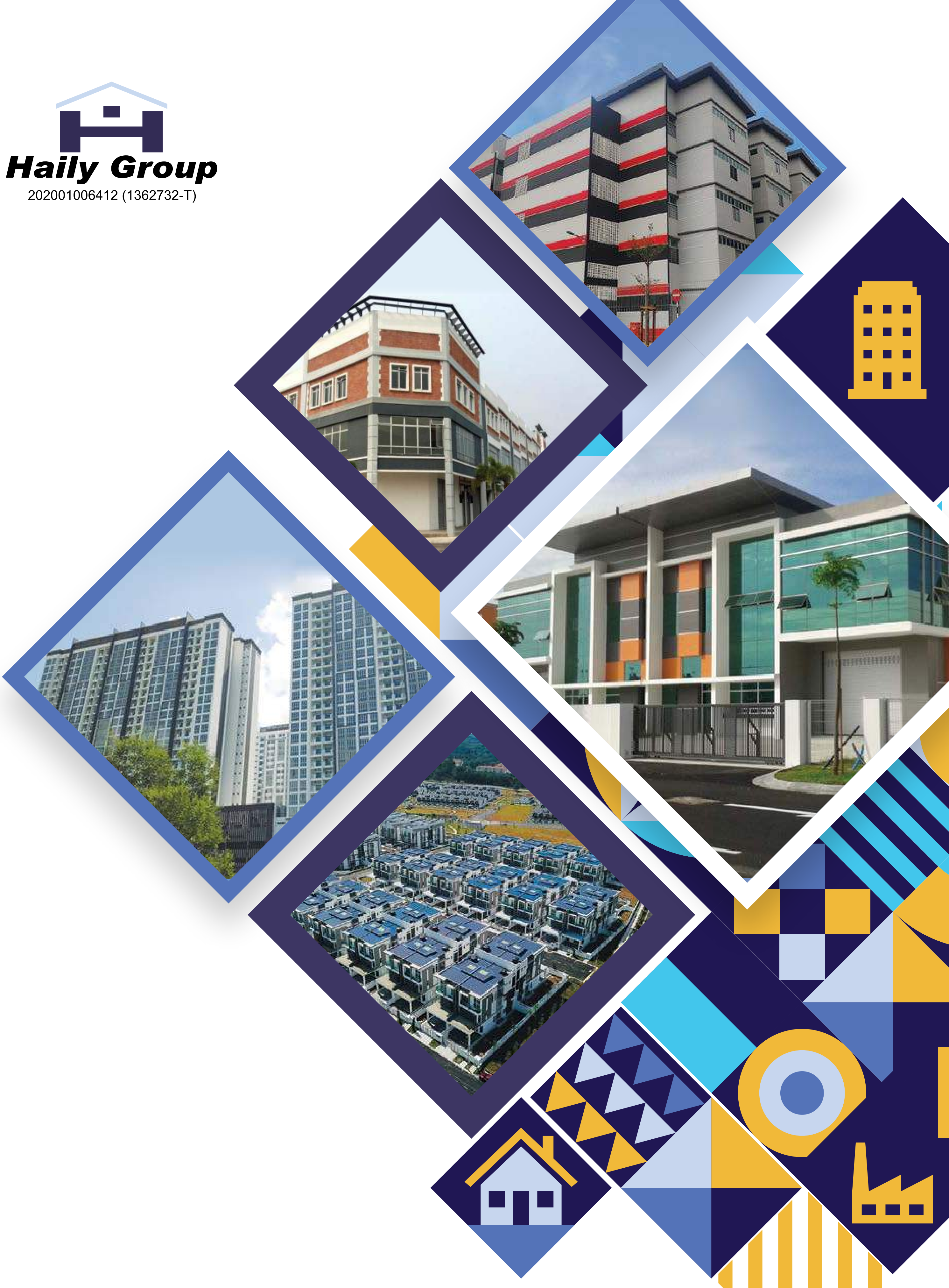
Haily Group

202001006412 (1362732-T)



ANNUAL REPORT 2021

ROUTE TO OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD

30 JUNE 2021

VIRTUAL LAUNCHING OF HAILY'S PROSPECTUS

Haily Group

Haily Group

12 JULY 2021

VIRTUAL BALLOTING OF SHARES APPLICATION

21 JULY 2021

HAILY'S LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD

MESSAGE FROM CHAIRMAN

DEAR VALUED SHAREHOLDERS,

ON BEHALF OF MY COLLEAGUES ON THE BOARD OF HAILY GROUP BERHAD, I AM HONOURED TO PRESENT OUR FIRST ANNUAL REPORT TOGETHER WITH THE AUDITED FINANCIAL STATEMENTS OF HAILY GROUP BERHAD ("**HAILY**" OR "**COMPANY**") AND ITS SUBSIDIARIES (COLLECTIVELY REFERRED TO AS "**GROUP**") FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021.

HAJI MOHD JAFFAR BIN AWANG (ISMAIL)
INDEPENDENT NON-EXECUTIVE CHAIRMAN

VISION

We aspire to be the choice builder by delivering high quality construction products and services to our customers in a timely manner and seek to create sustainable returns to all our stakeholders.

MISSION

- To create a conducive environment for satisfactory development of skills and knowledge among staffs and management to promote career advancement, trigger efficiency and effectiveness in work processes and motivate team cohesiveness
- To uphold long term relationship with our valued customers without compromising in the highest standards in environmental, safety and health
- To adopt best industrial practices and embrace innovation as the way we conduct our businesses

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Haji Mohd Jaffar Bin Awang (Ismail)
Independent Non-Executive Chairman

See Tin Hai
Executive Director

Yoong Woei Yeh
CEO/ Executive Director

See Swee Ling
Executive Director

Tan Sui Huat
Senior Independent Non-Executive Director

Ong Kheng Swee
Independent Non-Executive Director

Poh Boon Huwi
Independent Non-Executive Director

See Cul Wei
Alternate Director to See Tin Hai

AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman
Ong Kheng Swee

Member
Tan Sui Huat
Poh Boon Huwi

REMUNERATION COMMITTEE

Chairman
Tan Sui Huat

Member
Ong Kheng Swee
Poh Boon Huwi

NOMINATING COMMITTEE

Chairman
Tan Sui Huat

Member
Ong Kheng Swee
Poh Boon Huwi

COMPANY SECRETARIES

Irene Juay Yee Luan
(MAICSA 7057249 / SSM Practicing Certificate No. 202008001193)
Hew Jing Sian
(MAICSA 7065968 / SSM Practicing Certificate No. 202008001325)

PRINCIPAL PLACE OF BUSINESS

No. 3339, Jalan Pekeliling Tanjung 27
Kawasan Perindustrian Indahpura
81000 Kulai, Johor
Tel No.: +607-660 9888
Fax No.: +607-663 8866
Email: corporate@haily.com.my
Website : www.haily.my

REGISTERED OFFICE

Suite 5.11 & 5.12
5th Floor, Menara TJB
No. 9, Jalan Syed Mohd. Mufti
80000 Johor Bahru, Johor
Tel No.: +607-224 2823
Fax No.: +607-223 0229

SHARE REGISTRAR

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel No.: +603-2783 9299
Fax No.: +603-2783 9222

PRINCIPAL BANKERS

Hong Leong Islamic Bank Berhad
United Overseas Bank (Malaysia) Berhad
Public Bank Berhad

AUDITORS

Baker Tilly Monteiro Heng PLT
Firm No.: 201906000600 (LLP0019411-LCA) & AF0117
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

SPONSOR

TA Securities Holdings Berhad
(Registration No. 197301001467 (14948-M))
29th Floor, Menara TA One
22, Jalan P. Ramlee
50250 Kuala Lumpur

STOCK EXCHANGE LISTING

ACE Market, Bursa Malaysia Securities Berhad
Stock Code: 0237
Stock Name: HAILY
Date of Listing: 21 July 2021

CORPORATE MILESTONE

2007

Haily Construction Sdn Bhd ("**Haily Construction**") was incorporated in May 2007.

2008

We commenced operations as a contractor of building construction works and a registered contractor with CIDB. We commenced construction of 4 blocks of 4-storey purpose-built buildings comprising 28 units within the buildings used for breeding of swiftlet in Mersing, Johor.

2009

We secured our first of several contracts for the Taman Sri Pulai Perdana 2 Project and Sierra Perdana Project.

2011

Haily Machinery Sdn Bhd ("**Haily Machinery**") was incorporated in August 2011 and principally involved in the provision of rental of construction machinery.

2012

We secured our first contract for the construction of a high-rise building construction project, a 19-storey apartment namely Summerscape Johor Bahru.

2014

We secured our first contract for the construction of industrial building, the I-Synergy Business Park Project. We also secured our first contract for the construction of a serviced apartment project, Project Plentong High Rise Phase 1.

2016

We secured the contract for the construction of the Project Plentong High Rise Phase 2.

2018

We secured our first affordable housing projects, Rumah Mampu Milik Johor (RMMJ) and Perumahan Komuniti Johor (PKJ) at Taman Nusa Sentral.

2019

We were accredited ISO 9001:2015 which was valid from 5 December 2019 to 5 December 2022.

2020

Haily was incorporated on 21 February 2020 as a private limited company under the name of Haily Group Sdn Bhd. Via an internal reorganisation exercise, Haily Construction and Haily Machinery (by virtue of it being a wholly owned subsidiary of Haily Construction) became our wholly owned subsidiaries. Subsequently on 25 August 2020, we were converted to a public limited company to embark on the Listing on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

2021

Haily launched its prospectus for ACE Market listing on 30 June 2021 with the aim to raise RM20.4 million. The initial public offering (IPO) exercise involved a public issue of 30 million shares at 68 sen each.

Haily was successfully listed on the ACE Market of Bursa Securities on 21 July 2021 with its share price opening at 79 sen or 11 sen above its issue price of 68 sen.

CORPORATE STRUCTURE

Haily Group Berhad
(Registration No. 202001006412 (1362732-T))

PRINCIPAL ACTIVITIES
Investment holding

100%

Haily Construction Sdn Bhd
(Registration No. 200701014672 (772678-X))

PRINCIPAL ACTIVITIES
Building construction of residential
and non-residential buildings

100%

Haily Machinery Sdn Bhd
(Registration No. 201101027215 (955350-M))

PRINCIPAL ACTIVITIES
Provision of rental of construction machinery

FIVE-YEARS FINANCIAL HIGHLIGHTS

Financial Year ended 31 December	2017[1] RM'000	2018[1] RM'000	2019[1] RM'000	2020[1] RM'000	2021 RM'000
Revenue	121,832	173,787	157,918	166,132	124,066
Gross Profit	23,519	22,168	22,937	27,484	21,915
Profit Before Taxation	16,606	11,941	11,930	14,503	9,084
Profit After Taxation	12,591	8,487	8,886	10,444	6,257
Profit Attributable to Owners of the Company	12,549	8,445	8,856	10,444	6,257
Total Assets	102,753	106,457	114,207	136,795	133,233
Total Equity	38,105	41,342	44,030	51,974	74,960
Net Assets Attributable to Owners of the Company	37,982	41,177	44,030	51,974	74,960
Number of Shares after the IPO ('000)[2]	178,321	178,321	178,321	178,321	178,321
Basic/Diluted Earnings Per Share (sen)[3]	7.04	4.74	4.97	5.86	3.51
Net Assets Per Share Attributable to Owners of the Company (RM)[4]	0.21	0.23	0.25	0.29	0.42
Gearing Ratio (times)[5]	0.08	0.07	0.04	0.15	0.03

Notes:

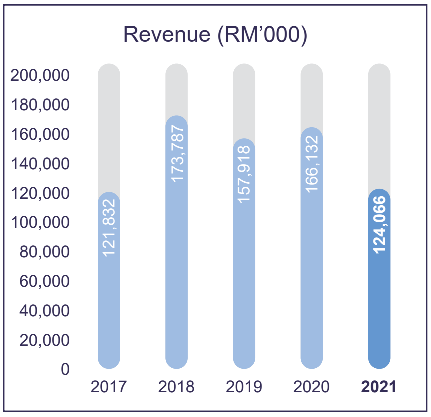
(1) Based on the Accountants' Report set out in Section 13 of the Prospectus of the Company dated 30 June 2021.

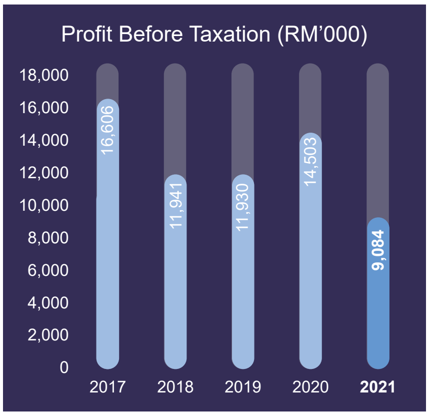
(2) To facilitate a 5 years snapshot for comparison purposes only, Number of Shares is based on the ordinary shares in issue of the Company after its Initial Public Offering (IPO).

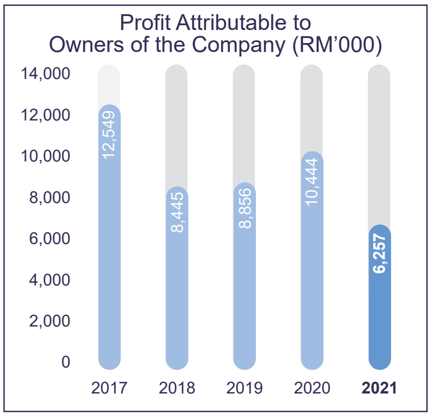
(3) To facilitate a 5 years snapshot for comparison purposes only, Earnings Per Share is computed based on Profit Attributable to Owners of the Company divided by the number of ordinary shares in issue after its IPO.

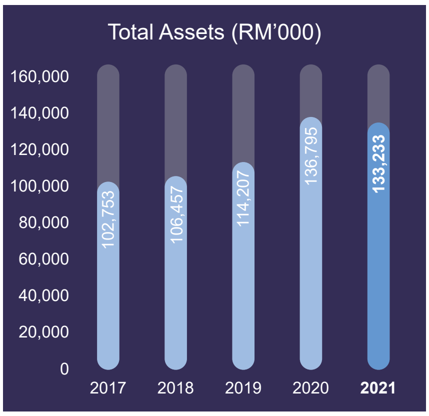
(4) To facilitate a 5 years snapshot for comparison purposes only, Net Assets Per Share is computed based on Net Assets Attributable to Owners of the Company divided by the number of ordinary shares in issue after its IPO.

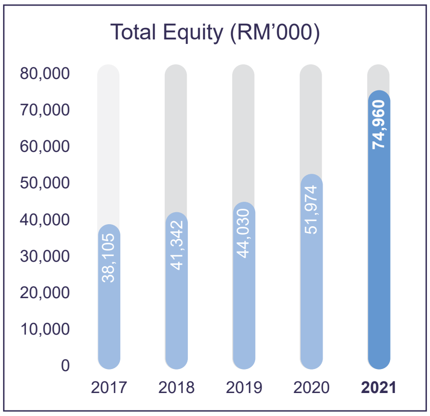
(5) Gearing Ratio is calculated based on total loans and borrowings over total equity.

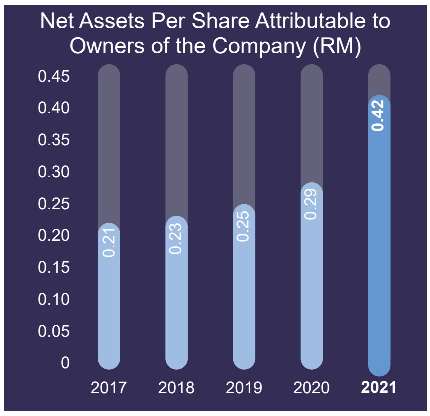












BOARD OF DIRECTORS ("BOARD")

See Tin Hai
Founder and Executive Director

Yoong Woei Yeh
Chief Executive Officer ("CEO") and Executive Director

Haji Mohd Jaffar Bin Awang (Ismail)
Independent Non-Executive Chairman

See Swee Ling
Executive Director


Ong Kheng Swee
Independent
Non-Executive Director
Poh Boon Huwi
Independent
Non-Executive Director
Tan Sui Huat
Senior Independent
Non-Executive Director
See Cul Wei
Alternate Director
to See Tin Hai

DIRECTORS' PROFILES

HAJI MOHD JAFFAR BIN AWANG (ISMAIL)

Independent Non-Executive Chairman

Malaysian
Male
Age 69

Date of Appointment
- 2 September 2020

Board Committee Membership(s)
- Nil

Academic/Professional Qualification
- Bachelor of Social Science with Honours from Universiti Sains Malaysia
- Master of Arts (South East Asian Studies) from University of Hull, United Kingdom

| Present Directorship(s) |

Other Listed Corporation(s):
- Independent Non-Executive Director of Atlan Holdings Berhad

Other Public Company:
- Director of Ang Tiong Loi Tasek Maju Charity Berhad

Family Relationship with Directors and/or Major Shareholders
- Nil

Haji Mohd Jaffar Bin Awang (Ismail) commenced his career with the State Government of Johor ("Johor State Government") as a temporary trainee and then, served as a full-time employee in January 1978 as a Johor Civil Servant in the District and Sub-District Land Office in Kulai. In March 1978, he was transferred to the Johor Bahru District Office to take up the position of Assistant District Officer (Community Development) and thereafter, transferred to the Johor Bahru Land Office to be the Assistant Collector of Land Revenue in January 1979.

From October 1981 to January 1983, he applied for study leave from Johor Government Secretaries Office (Administrative Department) to further his studies in University of Hull. Upon graduating with a master's degree, he resumed his employment as Assistant Secretary with the Johor State Government in the Johor Government Secretaries Office (Service Department) until December 1987 and was subsequently, transferred to the Office of the Johor Government Council as Secretary from January 1988 until December 1990. From January 1991 until April 1992, he was Secretary in the Municipal Council of Johor Bahru Central and thereafter, transferred to the Johor Bahru District Office as Chief Assistant District Officer (Development) from April 1992 until May 1995.

From June 1995 until September 2000, he held the position of Chief Assistant Secretary in the Johor Government Secretaries Office (Local Government Department). In September 2000, he was transferred to the position of Director in Tourism Johor until June 2002 and from July 2002 to December 2002, he was a General Manager in the Johor State Tourism Action Council. In January 2003, he was made President of the Muar Municipal Council until January 2006. From February 2006 until December 2006, he was District Officer in the Kota Tinggi District Office. In December 2006, he was subsequently transferred to the Kluang District Office as a District Officer until January 2008 and from January 2008 to August 2009, he was transferred to the Johor Bahru District Office as a District Officer. In August 2009, he was appointed as Mayor of the Johor Bahru City Council until his retirement in August 2011.

In March 2014, he was appointed by the Johor State Government to serve as a member of the Johor Public Service Commissions and officially completed his term of service in March 2018. He is currently a Director of Loong Soon Kemajuan Sdn Bhd, Tasek Development Sdn Bhd and Tasek Homes Sdn Bhd.

DIRECTORS' PROFILES CONT'D

SEE TIN HAI

Founder and Executive Director

Malaysian
Male
Age 61

Date of Appointment
- 21 February 2020 (upon the Company's incorporation)

Board Committee Membership(s)
- Nil

Academic/Professional Qualification
- Sijil Pelajaran Malaysia ("SPM")

| Present Directorship(s) |

Other Listed Corporation(s):
- Nil

Other Public Company:
- Nil

Family Relationship with Directors and/or Major Shareholders
- Father of See Swee Ling and See Cul Wei
- Father-in-law of Yoong Woei Yeh

See Tin Hai is the founder of Haily Construction with his wife, Kik Siew Lee on 10 May 2007. He started his career in 1980 immediately upon the completion of his SPM in 1979.

See Tin Hai started his career as a house renovator. See Tin Hai was running his own business in his personal capacity throughout the period of 1980s to 2000s focusing on house renovation, electrical and wiring works.

In 2001, See Tin Hai was appointed as a Director of Convest Construction Sdn Bhd where he held 42% of its shareholdings. The company was incorporated in 1998 and principally involved in building constructions. From 2001 until 2017, he was responsible for the business operation of the company as a contractor. He was overseeing several constructions projects undertaken by Convest Construction Sdn Bhd. See Tin Hai subsequently resigned from the board of directors of Convest Construction Sdn Bhd in March 2020 and sold his shares in the company in May 2020.

With the experience gained over the years, See Tin Hai founded Haily Construction with his wife, Kik Siew Lee on 10 May 2007 to tender and undertake construction services for property developers. See Tin Hai has dedicated his entire career in the construction industry and is responsible for the overall Group's business direction and development strategies including overseeing the entire tendering and construction process for all our projects.

YOONG WOEI YEH

*CEO
and Executive
Director*

*Malaysian
Male
Age 43*

Date of Appointment
- 21 February 2020 (upon the Company's incorporation)
- 2 September 2020 as the CEO

Board Committee Membership(s)
- Nil

Academic/Professional Qualification
- Bachelor of Engineering (Civil) from Universiti Teknologi Malaysia
- Graduate member of The Institute of Engineers Malaysia and the Board of Engineers Malaysia

| Present Directorship(s) |

Other Listed Corporation(s):
- Nil

Other Public Company:
- Nil

Family Relationship with Directors and/or Major Shareholders
- Son-in-law of See Tin Hai
- Spouse of See Swee Ling
- Brother-in-law of See Cul Wei

Yoong Woei Yeh started his career in June 2002 as a Site Engineer at Road Builder (M) Sdn Bhd and was subsequently promoted to Senior Engineer in January 2007. He continued his career with IJM Construction Sdn Bhd in November 2007 after the acquisition of Road Builder (M) Sdn Bhd by IJM Corporation Berhad until January 2009. After he left IJM Construction Sdn Bhd in January 2009, Yoong Woei Yeh joined Haily Construction in February 2009 as the Project Engineer and was promoted to the position of Project Manager in September 2011. Yoong Woei Yeh assumed the role as the head of projects where he was responsible for the overall aspects of our Group's project construction works. In April 2012, he was appointed as a Director of Haily Construction. Yoong Woei Yeh was further promoted to the position of CEO of Haily Construction in May 2019 and as CEO of our Group on 2 September 2020.

As the CEO of our Group, Yoong Woei Yeh is responsible for the day-to-day management of our Group including but not limited to organisational effectiveness and implementation of policies, strategies and decisions. He is also responsible to lead, supervise and manage a team of executives, ensuring that the appropriate risk management practices and policies are implemented and to assess business opportunities for our Group.

DIRECTORS' PROFILES CONT'D

SEE SWEE LING

Executive Director

Malaysian
Female
Age 36

Date of Appointment
- 2 September 2020

Board Committee Membership(s)
- Nil

Academic/Professional Qualification
- Bachelor of Arts in Accounting & Finance from University of East London

| Present Directorship(s) |

Other Listed Corporation(s):
- Nil

Other Public Company:
- Nil

Family Relationship with Directors and/or Major Shareholders
- Daughter of See Tin Hai
- Spouse of Yoong Woei Yeh
- Sister of See Cul Wei

Upon **See Swee Ling**'s graduation in 2009, she was invited by her father, See Tin Hai who is the founder of Haily Construction to develop her career with Haily Construction. She joined Haily Construction as an Accounts Assistant in September 2009 and was promoted to the position of Corporate Executive in September 2011. See Swee Ling was responsible for overseeing all treasury related matters and reviewing the monthly management accounts of Haily Construction and Haily Machinery. She was appointed as a Director of Haily Construction in April 2012.

As an Executive Director of our Group, See Swee Ling spearheads the strategic financial planning which includes formulating financial planning strategies in line with our Group's development strategies, as well as directing the overall accounts, administrative and human resources functions of our Group.

TAN SUI HUAT

Senior Independent Non-Executive Director

Malaysian
Male
Age 66

Date of Appointment
- 2 September 2020

Board Committee Membership(s)
- Chairman of Nominating Committee
- Chairman of Remuneration Committee
- Member of Audit and Risk Management Committee

Academic/Professional Qualification
- Bachelor of Laws at University of London, United Kingdom
- Admitted to the Honourable Society of Lincoln's Inn and called to the Bar as a Barrister-At-Law
- Advocate and Solicitor of the High Court of Malaysia

| Present Directorship(s) |

Other Listed Corporation(s):
- Nil

Other Public Company:
- Nil

Family Relationship with Directors and/or Major Shareholders
- Nil

Tan Sui Huat served his pupillage in HH Long & Co and completed his pupillage in Ong Ban Chai & Co before been admitted and enrolled as an Advocate and Solicitors of the High Court of Malaysia in July 1984.

He commenced his legal career as a Legal Assistant in Ong Ban Chai & Co in July 1984 and subsequently left in August 1985 to join Rahman Saad & Associates as a Legal Assistant until March 1987. Upon leaving his position in Rahman Saad & Associates in March 1987, he joined Yaacob Atan & Associates as a Partner until 1988. In 1988, he left Yaacob Atan & Associates and joined K H Koh, Azhar & Koh ("K H Koh") (previously known as K H Koh, Cheong & Koh) as the Managing Partner of the Johor branch.

He is currently the Managing Partner at K H Koh. He is also a member of the Disciplinary Committee of the Advocates & Solicitors Disciplinary Board.

DIRECTORS' PROFILES CONT'D

ONG KHENG SWEE

Independent Non-Executive Director

Malaysian
Male
Age 64

Date of Appointment
- 2 September 2020

Board Committee Membership(s)
- Chairman of Audit and Risk Management Committee
- Member of Nominating Committee
- Member of Remuneration Committee

Academic/Professional Qualification
- Fellow of the Association of Chartered Certified Accountants ("ACCA"), United Kingdom
- Chartered Accountant of the Malaysian Institute of Accountants ("MIA")
- Fellow of the Malaysian Institute of Taxation ("MIT")
- ASEAN Chartered Professional Accountant

| Present Directorship(s) |

Other Listed Corporation(s):
- Independent Non-Executive Director of Power Root Berhad
- Independent Non-Executive Director of Ray Go Solar Holdings Berhad

Other Public Company:
- Nil

Family Relationship with Directors and/or Major Shareholders
- Nil

Ong Kheng Swee commenced his career as an Audit Assistant in Kassim Chan & Co (now known as Deloitte Malaysia) from August 1981 until February 1984. Subsequently, he joined KPMG PLT in Johor Bahru (then known as Peat Marwick Mitchell & Co.) as an Audit Assistant in March 1984 and was promoted to an Audit Senior in January 1985. In January 1989, he was promoted to Audit Supervisor and further promoted to Assistant Manager in January 1990. In July 1990, he joined a petrochemical company, Titan Himont Polymers (M) Sdn Bhd as Accounting Manager. He was subsequently, promoted to Assistant Financial Controller in January 1992. He left Titan Himont Polymers (M) Sdn Bhd in January 1994 to pursue an overseas appointment with PT Batasan in Jakarta, Indonesia.

Throughout the period of January 1994 to December 1995, he was engaged with various appointments such as, Senior Accountant in PT Batasan in Jakarta, Indonesia from January 1994 to September 1994 and subsequently, as Group Finance Manager in Koda Woodcraft Sdn Bhd from October 1994 to March 1995 and later, Finance and Administration Manager (Asia Pacific) of a Thai costume jewellery manufacturer, Soleil Trading (M) Sdn Bhd based in Malaysia from April 1995 to December 1995. In December 1995, he took up the position of Financial Controller in Niro Ceramics (M) Sdn Bhd until October 1997. He then worked as a management consultant and also co-founded his management consultancy and advisory business, Seven-S Consulting Sdn Bhd ("Seven-S Consulting") in 1998.

In August 1998, he joined Solid Corporation Sdn Bhd ("Solid Corporation") as the Group Finance Director. He subsequently left Solid Corporation in February 2008, to pursue his interest in management consultancy and advisory under his company, Seven-S Consulting. He further co-founded Ascella Consulting Sdn Bhd and Rigel Consulting Sdn Bhd on 10 October 2010 and 25 April 2011, respectively. In July 2011, he returned to Solid Corporation as Executive Director cum CFO.

In September 2012, he was appointed as Executive Director cum CFO of Solid Automotive Berhad, a company listed on the Main Market of Bursa Securities on 12 September 2013. He resigned as CFO and Executive Director in September 2019 and February 2020, respectively.

Since March 2020, he has been pursuing his own business interest in Rigel Consulting Sdn Bhd and Seven-S Consulting Sdn Bhd, both are involved in the provision of advisory and consulting services and Ascella Consulting Sdn Bhd, a company providing corporate training and technical services in chemicals.

POH BOON HUWI

Independent Non-Executive Director

Malaysian
Female
Age 67

Date of Appointment
- 24 November 2021

Board Committee Membership(s)
- Member of Nominating Committee
- Member of Remuneration Committee
- Member of Audit and Risk Management Committee

Academic/Professional Qualification
- Bachelor of Commerce from University of Otago, New Zealand
- Chartered Accountant of the MIA

| Present Directorship(s) |

Other Listed Corporation(s):
- Nil

Other Public Company:
- Nil

Family Relationship with Directors and/or Major Shareholders
- Nil

Poh Boon Huwi started her career in January 1980 as an Assistant Accountant in A. A. Mutual Insurance Group in Wellington, New Zealand until February 1981, when she returned to Malaysia. In September 1981, she joined Azman, Wong, Salleh & Co as an Audit Assistant and was subsequently promoted to team leader, until she left in November 1983.

In January 1984, she joined the internal audit department of Malaysian French Bank Berhad (later renamed as Multi-Purpose Bank Berhad) as an Officer and left in December 1996 as an Assistant Vice President. During her 13 years of service, she was involved in managing the information system audit and the branch audit, besides auditing of the head office functions.

She subsequently joined the internal audit department of Bumiputera Merchant Bankers Berhad as a Manager, in charge of the operations audit. In February 2000, she was selected and transferred to be the head of systems and methods.

Due to consolidation of the banking industry, in January 2001, she accepted the offer for continued employment in Alliance Bank Malaysia Berhad ("Alliance Bank") (previously known as Multi-Purpose Bank Berhad which merged with among others, Bumiputera Merchant Bankers Berhad). She joined the group internal audit which was responsible for the internal audit function of the entire Alliance Banking Group ("the Group"). She was with the Group internal audit until her retirement in December 2010 and her last position was Vice President, Corporate & Commercial Banking Audit. Subsequently, she rejoined Alliance Bank for 1 year from January 2011 until January 2012 as a contract staff and assumed the same responsibility.

During her 11 years of service in the Group internal audit, her experience covered assisting the Group chief internal auditor in managing audits of information system; Investment Bank; investment management and unit trust businesses; Islamic Bank; Commercial Bank's end to end Corporate Banking, Commercial Banking and Small and Medium-sized Enterprise Banking businesses; treasury and the ultimate holding company (listed on Bursa Securities).

Currently, Poh Boon Huwi is helping in the management of her family's oil palm plantation business and other investments.

DIRECTORS' PROFILES CONT'D

SEE CUL WEI

Alternate Director To See Tin Hai

Malaysian
Female
Age 28

Date of Appointment
- 24 November 2021

Board Committee Membership(s)
- Nil

Academic/Professional Qualification
- Bachelor of Science (Honours) in Architecture from Taylor's University
- Master of Arts (M.A.) from Anhalt University of Applied Sciences, Dessau, Germany

| Present Directorship(s) |

Other Listed Corporation(s):
- Nil

Other Public Company:
- Nil

Family Relationship with Directors and/or Major Shareholders
- Daughter of See Tin Hai
- Sister of See Swee Ling
- Sister-in-law of Yoong Woei Yeh

While **See Cul Wei** was an undergraduate with Taylor's University, she underwent training during her semester breaks working with Haily Construction as a Quantity Surveyor Assistant from March 2014 to June 2014, with JYP Architects Sdn Bhd from January 2016 to March 2016, and again with Haily Construction as a Project Architect from January 2020 to February 2020.

After her graduation in March 2020, she joined RDC Arkitek Sdn Bhd as a Project Architect until November 2021 when she resigned to join Haily Construction in January 2022 as an Assistant Project Manager.

Competition / Conflict of Interest
During the financial year and up to the date of this Report, none of the directors has been involved in any new business which will give rise to competition/conflict with the current business of the Group.

Conviction for Offences
None of the directors has any convictions for offences within the past 5 years (other than traffic offences, if any) or subject to public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

KEY SENIOR MANAGEMENT'S PROFILES

LONG CHEOW SIONG

Chief Financial Officer ("CFO")

Malaysian
Male
Age 57

Date of Appointment
- 2 September 2020

Board Committee Membership(s)
- Nil

Academic/Professional Qualification
- Certified Public Accountant ("CPA") of the Malaysian Institute of Certified Public Accountants ("MICPA")
- Chartered Accountant of the MIA
- Master of Business Administration ("MBA") from University of Heriot-Watt

| Present Directorship(s) |

Other Listed Corporation(s):
- Nil

Other Public Company:
- Nil

Family Relationship with Directors and/or Major Shareholders
- Nil

Long Cheow Siong started his career with KPMG PLT (then known as Peat Marwick Mitchell & Co.) in 1985 as an Articled Clerk with the view to qualify for CPA. He then left for commercial exposure where he joined Country View Berhad, a company mainly involved in the property development as a Senior Manager in Accounts and Services in December 1990. Long Cheow Siong was instrumental in the listing exercise of Country View Berhad on the Main Market of Bursa Securities in 2002.

Long Cheow Siong left Country View Berhad in July 2007 and he assumed the position of CFO with Tasek Maju Realty Sdn Bhd, a group with diversified business activities ranging from property development, hospitality to the operation of shopping malls, office building and petrol station. He was subsequently promoted to the position of the group's COO in May 2012 and at the same time, he also took up the role as the general manager of a 4-star hotel located in Johor Bahru, a hospitality unit owned by the said group.

Long Cheow Siong left employment in early 2018 and pursued his own consultancy practice by setting up a consultancy firm with other partners known as ECL Advisory Services, an accounting service provider which was established in November 2017 and is currently not involved in the day-to-day operations of ECL Advisory Services. He joined Haily Construction as CFO in April 2019 and was appointed as CFO of our Group on 2 September 2020.

As the CFO of our Group, Long Cheow Siong is responsible for overseeing the financial and human resource management including, the establishment, maintenance and review of the financial and administrative internal controls, projection monitoring/ budget preparation, preparation and review of financial information including annual financial statements to facilitate the discharge of our Group's statutory reporting obligations, as well as treasury management and corporate finance related matters. He is also responsible to ensure that the human resource and administrative policies and practices adopted by our Group are in compliance with all statutory regulations and requirements.

KEY SENIOR MANAGEMENT'S PROFILES CONT'D

LIM KOK SIANG

Chief Operating Officer ("COO")

Malaysian
Male
Age 44

Date of Appointment
- 2 September 2020

Board Committee Membership(s)
- Nil

Academic/Professional Qualification
- Diploma in Quantity Surveying from Universiti Teknologi Malaysia
- Bachelor of Science (Building) from Universiti Teknologi Malaysia

| Present Directorship(s) |

Other Listed Corporation(s):
- Nil

Other Public Company:
- Nil

Family Relationship with Directors and/or Major Shareholders
- Nil

Lim Kok Siang started his career in May 2001 as a Site Supervisor at Malpakat Construction Sdn Bhd and was subsequently promoted to the position of Assistant Project Manager in 2001. He then left in 2004 to take the position of Project Manager when he joined Pembinaan Kamicon Sdn Bhd in 2004. In August 2007, he was employed by Total Merit Sdn Bhd as the Project Manager until March 2008. In March 2008, he joined Dynac Engineering Sdn Bhd as Contract Executive and left in March 2010.

After his departure from Dynac Engineering Sdn Bhd, he joined Haily Construction as Contract Executive in April 2010 and was subsequently promoted to the position of Contract Manager in July 2011. He took up the position of COO of Haily Construction in May 2019 and was appointed as COO of our Group on 2 September 2020.

As the COO of the Group, he is responsible for the entire project management activities of our Group and liasion with the relevant authorities to obtain the requisite approvals. Lim Kok Siang is also responsible for the planning, organising, directing and overseeing operation of our Group's projects management which includes project budgeting, planning and allocation of manpower and resource requirements as well as project scheduling.

Competition / Conflict of Interest
During the financial year and up to the date of this Report, none of the key senior management (whom are not executive directors) has been involved in any new business which will give rise to competition/conflict with the current business of the Group.

Conviction for Offences
None of the key senior management (whom are not executive directors) has any convictions for offences within the past 5 years (other than traffic offences, if any) or subject to public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Haily Group

DEAR VALUED SHAREHOLDERS,

On behalf of the Board of Directors of Haily, I am pleased to present our review of the financial and operational performance of the Group for the financial year ended 31 December 2021.

Yoong Woei Yeh

CEO and Executive Director

INTRODUCTION

Haily was incorporated as a private limited company on 21 February 2020 under the name of Haily Group Sdn Bhd. On 25 August 2020, our Company was converted into a public limited company to embark on our listing on the ACE Market of Bursa Securities and assumed our present name. The principal activity of Haily is that of investment holding while the Group is involved in the following business activities: -

(i) building construction of residential and non-residential buildings through our Company's wholly-owned subsidiary, Haily Construction; and

(ii) provision of rental of construction machinery through Haily Construction's wholly-owned subsidiary, Haily Machinery.

As an integral part of our listing exercise, our Company completed the acquisition of the entire equity interest in Haily Construction on 24 August 2020 for a total consideration of RM41,529,768 which was satisfied via the issuance of 148,320,600 new ordinary shares in our Company ("**Shares**") at an issue price of RM0.28 per Share.

Subsequently on 30 June 2021, we undertook an initial public offering which consisted of a public issue of 30,000,000 new Shares together with an offer for sale of 18,000,000 existing Shares, both at an issue price of RM0.68 per Share. The entire issued and paid-up capital of Haily consisting of 178,320,700 Shares was successfully listed on the ACE Market of Bursa Securities on 21 July 2021.

BUSINESS OPERATIONS AND STRATEGIES

Our Group is principally involved in building construction of residential and non-residential buildings as well as the provision of rental of construction machinery. As a Grade 7 main contractor registered with the Construction Industry Development Board Malaysia, our Group is responsible for the construction of the total project including the external built-environment covering civil works and infrastructure within the project area, as well as the physical buildings. Residential buildings consist of single and multi-dwelling buildings while non-residential buildings consist of commercial, purpose-built, industrial and institutional buildings.

BUSINESS OPERATIONS AND STRATEGIES Cont'd

We have a proven track record as an experienced building contractor, demonstrated by the total of 69 building construction projects completed as at 21 March 2022 with a total contract value of RM1.38 billion since 2008. As at 21 March 2022, our Group's order book comprises of 23 on-going projects with a total contract value of RM575.08 million, which is expected to be progressively completed between 2022 and 2023. Our Group continues to lean on our competitive advantages and key strengths, namely :

(i) Our established track record as an experienced building contractor in Johor;
(ii) Our track record in providing quality construction works;
(iii) Our ability to carry out building construction projects as a main contractor;
(iv) Our experienced Executive Directors ("**EDs**") and key senior management; and
(v) Our Group's on-going projects which will sustain us at least for the near term.

Moving forward, we will continue to focus on building construction in Johor, as supported by our track record of 14 years since the commencement of our business operations in Johor. While our on-going projects are mainly focused in the districts of Johor Bahru, Kulai, and recently in Pontian and Kluang, all in Johor, we intend to leverage on our experience and extend our reach to other districts in Johor. In addition, we intend to focus on construction projects involving landed residential buildings and industrial buildings as we note the strong demand for these properties in Johor.

Besides the new contract management and accounting software and office equipment, we have also purchased some new construction machinery and equipment mainly to facilitate better scheduling of our construction work when our projects require concurrent usage and in anticipation of future growth as well as reducing costs of renting from external parties.

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION

The financial year ended 31 December 2021 (**"FYE 2021**") was a challenging year for our Group due to the disruptions to operations owing to the Covid-19 pandemic which has continued to dampen the construction industry.

Our Group's revenue are derived from 2 segments, namely the building construction segment which comprises of building construction activities of residential and non-residential buildings and the others segment which comprises of civil engineering construction works and rental of construction machinery and equipment.

The following table illustrates the comparison of financial highlights of our Group for the financial year ended 31 December 2020 ("**FYE 2020**") and FYE 2021:

	FYE 2021 RM'000	FYE 2020 RM'000
Revenue	124,066	166,132
Gross profit ("**GP**")	21,915	27,484
Profit before taxation ("**PBT**")	9,084	14,503
Profit after taxation ("**PAT**")	6,257	10,444
Profit attributable to owners of the Company	6,257	10,444
Net assets ("**NA**")	74,960	51,974
Total assets	133,233	136,795
Borrowings	1,981	7,570
Gearing ratio (times)	0.03	0.15
Basic/Diluted Earnings per Share[(1)] (sen)	3.87	16.06
Dividend per Share[(2)] (sen)	1.86	3.85
NA per Share[(3)] (sen)	42.04	35.04

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION Cont'd

Notes:

(1) *Calculated based on the profit attributable to owners of the Company divided by the weighted average number of ordinary shares in issue during the FYE 2020 and FYE 2021 of 65.02 million Shares and 161.48 million Shares respectively.*

(2) *Calculated based on the dividends declared and distributed for the FYE 2020 and FYE 2021 of RM2.50 million and RM3.00 million respectively divided by the weighted average number of ordinary shares in issue during the respective financial years.*

(3) *Calculated based on the Company's issued share capital as at 31 December 2021 of 178,320,700 shares (31 December 2020: 148,320,700 shares).*

Our Group's segment breakdown for revenue for the FYE 2020 and FYE 2021 are as follows:

	FYE 2021		FYE 2020	
	RM'000	%	RM'000	%
Building construction	123,844	99.82	163,875	98.64
Others	222	0.18	2,257	1.36
Total	**124,066**	**100.00**	**166,132**	**100.00**

For the FYE 2021, our Group's revenue decreased to RM124.07 million from RM166.13 million registered for the FYE 2020, representing a decrease of RM42.06 million or 25.32%. The decrease in revenue was mainly attributable to the decrease in revenue recognised from our Group's building construction segment which decreased from RM163.88 million for the FYE 2020 to RM123.84 million for the FYE 2021, representing a decrease of RM40.04 million or 24.43%. This was mainly due to the reduction in percentage of completion recognised in the FYE 2021 for our Group's building construction projects, namely:

(i) 164 DSTH Meridin East – Parcel 1F2 Project which reported a decrease in revenue from RM16.99 million to RM2.75 million, representing a decrease of RM14.24 million or 83.81% as the project was completed in August 2021;

(ii) 264 DSTH Bandar Jaya Putra Project which reported a decrease in revenue from RM30.49 million to RM10.74 million, representing a decrease of RM19.75 million or 64.78% due to the reduced percentage of completion recognised during the financial year under review;

(iii) 128 DSTH Taman Impian Emas Project which reported a decrease in revenue from RM17.32 million to RM2.57 million, representing a decrease of RM14.75 million or 85.16% as the project was completed in September 2021; and

(iv) 236 DSTH Meridin East – Parcel 1H Project which reported a decrease in revenue from RM13.63 million to RM1.64 million, representing a decrease of RM11.99 million or 87.97% as the project was completed in December 2020.

The decrease in the revenue above was partially offset by the increase in revenue recognised from the Bandar Jaya Putra Project which saw an increase from RM6.31 million to RM34.47 million, representing an increase of RM28.16 million or 446.28% pursuant to the percentage of completion.

In line with the decline of our Group's revenue, our Group's GP for the FYE 2021 also recorded a decline of 20.26% from RM27.48 million for the FYE 2020 to RM21.92 million for the FYE 2021. However, the gross profit margin improved marginally to 17.66% for the FYE 2021 as compared to 16.54% for the FYE 2020. This marginal improvement was mainly attributable to successful negotiations with sub-contractors resulting in improved profit margins after the projects were secured.

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION Cont'd

The decrease in revenue also resulted in our Group's PBT decreasing from RM14.50 million for the FYE 2020 to RM9.08 million for the FYE 2021, representing a decrease of RM5.42 million or 37.38%. In addition to the decrease in revenue, the decrease in our Group's PBT is also due to the one-off listing expenses of RM1.37 million incurred in conjunction with our Company's listing on the ACE Market of Bursa Securities during the FYE 2021.

Our Group's total assets decreased marginally from RM136.80 million as at 31 December 2020 to RM133.23 million as at 31 December 2021, representing a decrease of RM3.57 million or 2.61%. This was mainly due to the decrease in trade and other receivables of RM17.06 million from RM73.91 million as at 31 December 2020 to RM56.85 million as at 31 December 2021. This was in line with the decrease in revenue recognised for the FYE 2021 as well as the collections from the amounts due from customers. This was marginally offset by the increase in contract assets and cash and short-term deposits of RM9.33 million and RM3.04 million respectively.

The increase in contract assets mainly arose from the progress of our Group's on-going construction projects while the increase in cash and short-term deposits was mainly due to the proceeds raised from our Company's initial public offering which was completed during the FYE 2021. Our Group's NA had also improved from RM51.97 million as at 31 December 2020 to RM74.96 million as at 31 December 2021 mainly due to the increase in share capital arising from the new Shares issued in conjunction with the public issue as part of our Company's initial public offering.

Our Group's borrowings decreased from RM7.57 million as at 31 December 2020 to RM1.98 million as at 31 December 2021, representing a decrease of RM5.59 million. This was mainly attributable to the repayment of bank borrowings of RM7.0 million from the proceeds raised from our initial public offering. Correspondingly, our gearing ratio decreased from 0.15 times as at 31 December 2020 to 0.03 times as at 31 December 2021.

A summary of our Group's cash flow position for the FYE 2020 and FYE 2021 is illustrated below:

	FYE 2021 RM'000	FYE 2020 RM'000
Net cash flows (used in)/from operating activities	(5,990)	8,662
Net cash flows used in investing activities	(526)	(2,826)
Net cash flows from/(used in) financing activities	15,325	(3,868)
Net increase in cash and cash equivalents	8,809	1,968
Cash and cash equivalents at the beginning of the financial year	21,315	19,347
Cash and cash equivalents at the end of the financial year	30,124	21,315

During the FYE 2021, our Group recorded net cash flow used in its operating activities of RM5.99 million as compared to RM8.66 million net cash generated from operating activities in the preceding FYE 2020. This was mainly due to the decrease in our Group's PBT as discussed above and the decrease in trade and other payables resulting from higher amounts being paid to sub-contractors for retention sums in the FYE 2021. The improvement in our Group's net cash flows used in investing activities was a result of the change in pledged deposits which were released to our Group arising from the repayment of our Group's borrowings.

Our Group's net cash flow from financing activities of RM15.33 million for the FYE 2021 arose mainly from the proceeds raised from the initial public offering of our Company of RM20.40 million. Resulting therefrom, our Group's net increase in cash and cash equivalents for the FYE 2021 was RM8.81 million. As at the date of this report, our Board and management have no plans or commitment for any major capital expenditure which would have a significant effect on future cash flows save for the utilisation of proceeds raised from our Company's initial public offering as disclosed in the Prospectus issued by the Company on 30 June 2021.

REVIEW OF FINANCIAL RESULTS AND FINANCIAL CONDITION Cont'd

Notwithstanding our Group recorded net cash flow used in operating activities for the FYE 2021, our Group's net current asset position for the financial year under review remains healthy and showed an improvement from RM47.21 million as at 31 December 2020 to RM69.03 million as at 31 December 2021, representing an increase of RM21.82 million or 46.22%. This improvement was due to the increase in contract assets and cash and short-term deposits as mentioned above. It is noted that the decrease in trade and other receivables is off-set by the decrease in trade and other payables. Based on the above, our Board believes that our Group has sufficient working capital resources for our existing and foreseeable requirements for the remaining period of the financial year ending 31 December 2022 ("**FYE 2022**").

KEY RISK FACTORS

(i) The continuity of increasing our order book is not assured and any significant decline in our order book will adversely affect our long-term sustainability and growth

Our principal business is in the construction of residential and non-residential buildings. As the nature of our construction business is project-based, there is no assurance that we are able to continuously secure new projects, nor any assurance that new projects secured will be on commercial terms favourable to us. In our industry, it is common for jobs to be awarded based on competitive bidding, and as such, we have to bid competitively for every contract that we wish to secure. There is a risk we may not be able to secure every contract that we tender for. Our financial performance depends on our ability to secure new projects to sustain our order book. Any significant decline in our order book will materially and adversely impact our sustainability, growth potential and future financial performance.

During the FYE 2021, our Group secured 12 new contracts with a total contract value of RM282.38 million. From the end of the FYE 2021 until 21 March 2022, our Group secured a further 3 new contracts with contract value totalling RM84.17 million. As at 21 March 2022, our total unbilled contract value of our on-going construction projects is RM368.92 million and our Group expects that the unbilled order book to be progressively recognised in the FYE 2022 and financial year ending 31 December 2023 ("**FYE 2023**").

Our order book is subject to unexpected project cancellations or scope adjustments which may occur from time to time. There can be no assurance that our current order book can be continually maintained at such level in the future and there can also be no certainty that projects from our order book will not be delayed or terminated and we may face a situation of delays in securing new contracts. Any delay, cancellation or reduction in the contract value or scope of work for the projects secured in our order book, will reduce the value of our order book and revenues to be generated thereafter, which in turn may affect our long-term sustainability and business growth as well as the future financial performance of our Group.

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

Construction projects are subject to certain timelines and budgets. Any delays in the timeline of a project will usually result in project cost overruns, attract negative publicity and result in legal uncertainties such as potential liquidated damage claims from our customers. The timely completion of projects undertaken by us is dependent on many external factors inherent in the construction industry including, amongst others, the timely receipt of requisite licenses, permits or approvals from regulatory authorities, equipment and labour, availability of financing and satisfactory performance of subcontractors appointed, unexpected soil conditions, safety and site condition, shortage of raw materials and labour, adverse weather conditions and adverse changes to government policies (e.g. change in foreign labour policies). Any adverse developments in respect of these factors can lead to interruptions or delays in completing a project, which may result in our customers imposing liquidated damages on us that could affect our profitability and cash flows.

As a result of the various movement control orders implemented by the Government to curb and combat the Covid-19 pandemic, we were faced with various delays and/or postponements of our projects and as such have resulted in an adverse impact on our ability to recognise revenue and record profits from our on-going projects. In view of the Covid-19 pandemic or any unforeseen material adverse event, there is no assurance that all our projects will complete on time. In the event of a delay in completion, our business and financial performance may be adversely affected.

KEY RISK FACTORS Cont'd

(iii) We are dependent on the services and quality of our subcontractors' and our consultants' works

We usually engage subcontractors to carry out different parts of our construction activities such as building works, mechanical and electrical works, external and fencing work as well as, specialised trade work such as, painting and coating, roofing, waterproofing, landscaping and infrastructure works. We may also engage third party consultants to carry out specialist work scopes such as structural designs and surveying works for our projects. Subcontractors are appointed following the shortlisting of candidates based on the project requirements, assessment of quotations submitted by the candidates, as well as our past working experiences and relationship with the candidates. Upon negotiation of pricing, scope of works and the bills of quantities, we will issue letters of award to the subcontractors.

We are subject to risks associated with non-performance, late performance and poor performance by our subcontractors. If our subcontractors or consultants fail to perform their duties, or are unable to deliver their services in a timely manner, or deliver substandard work to us, we may be subject to defects liability claims from our customers, or liquidated damages arising from delay in completion of our projects. Any faults in the technical or design standards by our third-party consultants may also cause material delay or interruption to the implementation and completion of our projects. We may be susceptible to risks of our customers claiming against our performance bond (if any), or legal liabilities arising from such defects or substandard works.

(iv) Shortages of construction materials, fluctuation in construction material prices and any unanticipated increases in costs associated with our construction projects may impair our financial performance

Shortages of construction materials and any increase in the cost of construction for our projects may have a material adverse impact on our business and financial performance. Our construction materials consist mainly of concrete and cement materials, steel-based materials, brickwork materials and tiles, timber and plywood, doors, windows and other related construction materials required in our construction activities. Thus, we are dependent on the continuous supply of such materials which are sourced from suppliers in Malaysia.

During the Covid-19 pandemic, our supply chain was to a certain extent affected as certain suppliers of building materials such as trading companies or manufacturers of concrete and steel products were not operating/operated at reduced capacities. Nevertheless, this situation is expected to be temporary in nature as the reopening of economic sectors and the relaxation of restrictions as the local vaccination rate improves is expected to bode well for our operations.

Our construction materials are price sensitive, and we face the risk of obtaining sufficient quantities of construction materials at competitive prices. Our construction materials such as steel and cement materials are subject to global market price fluctuations and if such materials are imported by our suppliers, will be subject to foreign currency fluctuations. Furthermore, contracts with our customers generally do not cater for such price fluctuations of construction materials, as such, we are exposed to the risk of price fluctuations.

In view of the above, our cash flows and profitability are dependent on our ability to accurately estimate the cost associated with our projects, which are dependent on a variety of factors, amongst others, such as conditions at the construction sites, contagious diseases, cost of construction materials and labour and delay in the availability of financing. These variations may cause actual gross profit for a project to differ from those original estimates which may result, in certain contracts having lower profit margins than anticipated or losses if actual contract exceeds its estimates, and thereafter, would reduce our profitability, cash flows, liquidity and impact our financial performance negatively.

KEY RISK FACTORS Cont'd

(v) We depend on our key senior management for our continued success

We believe that our continued and future success largely depends on our continued ability to hire, develop, motivate and retain qualified personnel such as our EDs and key senior management for their experience, expertise and efforts to support our business activities and provision of quality construction projects to our customers. Having an experienced key management team is vital to maintain the quality of our construction projects whilst retaining the business confidence of our customers. If we lose the services of our EDs and/or key senior management, and are unable to find suitable and timely replacements, our business performance and prospects will be materially and adversely affected.

The loss of any of our EDs and/or key senior management and the ensuing impact arising from transition in key senior management functions or discontinuity in knowledge transfer, could have a material adverse effect on our business operations, performance and prospects.

(vi) Geographical concentration in the districts of Johor Bahru, Kulai, Pontian and Kluang in Johor

Since commencement of our business in 2008, our building construction projects were focused in the districts of Johor Bahru and Kulai in Johor. During the FYE 2021, we secured another 2 new building construction projects in the districts of Pontian and Kluang. We will continue to carry out building construction jobs in Johor supported by our track record of 14 years. As mentioned above, the Group secured 12 new contracts during the FYE 2021 and a further 3 new contracts from the end of the FYE 2021 to 21 March 2022 with total contract value from these construction contracts amounted to RM366.55 million. As at 21 March 2022, our total unbilled contract value of our on-going construction projects based on contracts secured is RM368.92 million and the Group expects that the unbilled order book to be progressively recognised in the FYE 2022 and FYE 2023.

We are currently focusing on geographical growth and expansion in the state of Johor. While we believe that there are still significant opportunities to grow our construction business in Johor, we may be exposed to a slowdown in our target market in the Johor state. Further, although we intend to expand our coverage to reach other districts in Johor, there is no assurance that our new venture will be profitable and contribute to the growth of our construction business.

PROSPECTS AND OUTLOOK

As disclosed in the Prospectus of the Company dated 30 June 2021, the Group's business strategies and plans are as follows:

(i) We intend to focus on our core competency in building construction in Johor;

(ii) Expand into other districts in Johor. The Group will continue to focus on residential building construction while expanding into industrial building construction; and

(iii) Purchase new construction machinery and equipment as well as contract management and accounting software and office equipment mainly to facilitate better scheduling of construction work for concurrent usage and in anticipation of future growth.

Our Board is cognisant of our Group's exposure to the risk factors as mentioned above as well as the uncertainties in the domestic economy arising from the Covid-19 pandemic. Further, the Board notes that the current domestic economy is on a recovery trajectory, supported by higher private sector expenditure given improving labour market condition and on-going policy support. As such, the Group is cautiously optimistic of our prospects and the outlook of the construction industry for the FYE 2022.

Moving forward, our Group expects our performance to be continuously driven by our ability to successfully complete its on-going construction projects. We will be on the lookout for new opportunities to secure new construction projects. We are of the opinion that our prospects for the coming year will be positive. We anticipate that the economy will recover, and our Group remains steadfast and resolute to take full advantage of this. We are cautiously optimistic that our financial results for the FYE 2022 will be favourable.

DIVIDENDS

For the FYE 2021, our Company declared a first interim single tier dividend of 1.68 sen per Share of RM2,995,788 on 22 July 2021 which was paid on 30 August 2021 to shareholders registered in the Company's register as at 9 August 2021.

ACKNOWLEDGEMENT AND APPRECIATION

On behalf of the Board, we would like to convey our sincere thanks to all our shareholders, esteemed customers, bankers, sub-contractors, suppliers as well as the other business partners and associates. Our success would not have been possible without their continuous support and confidence in Haily Group.

In closing, I would like to extend my profound appreciation to my fellow colleagues on the Board for their valued contributions. Lastly but certainly not the least, I would like to record my gratitude to the management team and all the employees of the Haily Group for their continuous perseverance and unrelenting efforts and commitment in ensuring the success of the Group despite all the challenges faced during the COVID-19 pandemic over the past two years.

Yoong Woei Yeh
CEO and Executive Director

Haily recognises sustainability as an integral component of its corporate values. As part of the initiative to promote sustainability, the Group are committed to creating long-term value for its stakeholders as well as preserve and improve the environment and society through our Group's operational processes.

Being cognisant of our Group's responsibility to be a responsible corporate citizen, our Group undertook various steps to play its part in contributing to the welfare of the society and communities in the environment it operates. Our Group recognises that for long-term sustainability, we are required to take into account factors beyond the financial performance of our Group. Hence, our Group supports important causes within the society as well as promoting a healthy culture within the organisation.

Development of sustainable practices becomes a key goal for the Group to remain buoyant in today's challenging economic environment. We believe that this will help our Group create a long-term value to our stakeholders in our economic, environmental and social ("**EES**") activities without compromising the Group's profitability, operational efficiencies and the needs of future generations. This goal is currently embedded into the vision and mission statement of Haily.

Haily endeavours to put in place coherent strategies, new ideas, policies, framework, work practises and action plans that promotes and generates positive EES benefits to the Group. Haily will continue to initiate and build good relationships with all stakeholders, including our customers, sub-contractors, suppliers, employees and investors in order to achieve successful implementation of sustainable growth. Thus, the Group will identify and address any material sustainability matters with the stakeholders promptly to manage risks and create opportunities to achieve sustainable goals.

SUSTAINABILITY GOVERNANCE

The Sustainability and Risk Management Committee ("**SRMC**"), a sub-committee of the Audit and Risk Management Committee ("**ARMC**") has been established to be principally responsible for driving the sustainability governance for the Group. The SRMC, comprising our CEO and mainly senior management personnel, is responsible for the development of strategies suited to the sustainability agendas of the Group as well as to monitor the progress of improving sustainability processes and performances. The SRMC reports periodically to the ARMC with their sustainability and risk assessment on the Group's practices together with recommendations on matters for improvement.

The key roles of the SRMC are as follows:

- To ensure that the sustainability strategies, priorities and targets of the Group are aligned to the Group's vision and mission statement and are embedded in and function effectively throughout the Group;

- To develop strategies suited to the sustainability agendas and ensure that the current standing and the response of the sustainability matters of the Group remain relevant taking into consideration any changes to the Group's approach to sustainability;

- To conduct periodic review of the material sustainability matters of the Group and determine the adequacy of the response and the current status of the material sustainability matters and reporting the review results and recommendations to the ARMC for consideration;

- To provide appropriate advice and recommendations on the material risk issues, and ensure that risk management strategies, framework, policies, processes, tolerance and risk appetite are in place for the timely identification, mitigation and management of such key risks which may have material impact on the Group and provide overall direction and decisions on sustainability governance, strategy, initiatives, performance and processes; and

- To provide awareness and education on sustainability management to all levels of employees within the Group.

ENVIRONMENTAL ASPECTS

Our Group is accountable for the impact of its business operations on the environment. We constantly review and monitor our operations to make positive contribution to the environment, economic and social well-being of our stakeholders, employees and the broader community. Our Group plays our part in maintaining environmental sustainability through reducing wastage as well as managing and handling waste to minimise impact to the environment and preventing pollution. Generally, the Group's building construction processes does not release any hazardous emissions to the environment.

As a responsible corporate organisation, our Group regularly evaluates our operational processes for its impact on the environment. Haily endeavours to ensure our processes comply with the relevant Environmental, Health and Safety Laws and Regulations, such as the Environmental Quality Act 1974 which regulates the prevention, abatement, control of pollution and protection of the environment.

Our Group views it as our responsibility to ensure the environment is always being protected, to comply with the legal requirements on environmental matters as well as to improve on environmental management procedures and performances. Moving forward, the Group will continue to ensure the stakeholders' benefits are being taken care of with its aim of delivering sustainable environmental performance.

HUMAN RESOURCE ASPECTS

At Haily Group, we view our employees as valuable assets who are carrying out the day-to-day operations of our Group, ensuring operational efficiency. Our Group conducts constant reviews of our workplace and policies in order to ensure a conducive working environment and ensure proper development and utilisation of our human resources. In addition, our Group also promotes workplace diversity by encouraging respect between different nationality, age, gender and ethnicity while providing equal opportunity to employees to enhance their career development.

We believe that continuous training and development of our workforce to constantly update their skillset will allow them to be equipped with the necessary tools to effectively perform in their roles and benefit the Group in the long run. It is the role of the head of departments to identify training programs relevant and suitable to the employees within their respective department to better enhance their knowledge and capabilities. New employees are also given on the job training tailored for their respective roles under the supervision of a superior within the department. Amongst the courses attended by our employees during the FYE 2021 were:

No.	Courses attended	Organisers	Date of courses
i	Effective Secretarial Practice for Accountants Series	Malaysian Institute of Accountants	*Module 1:* 18 March 2021 *Module 2:* 29 March 2021 *Module 3:* 5 April 2021 *Module 4:* 12 April 2021
ii	Leave, Vaccination & Related COVID Matters	MECA Employers Consultancy Agency Sdn Bhd	10 May 2021
iii	Computation of Percentage Ratios	CKM Advisory Sdn Bhd	2 & 3 June 2021
iv	Trends, Developments, and Best Practices in Financial and ESG Reporting	Malaysian Investor Relations Association	29 September 2021
v	Tax & Budget Webinar	Baker Tilly Monteiro Heng Tax Services Sdn Bhd	17 November 2021
vi	Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries, issued by SC	Tricor Hive Sdn Bhd	15 December 2021
vii	Revised Malaysian Code on Corporate Governance & Corporate Disclosure Policy	Tricor Hive Sdn Bhd	15 December 2021

HUMAN RESOURCE ASPECTS Cont'd

In view of the sustainable competitive environment, the Group's human resource planning has always included succession planning exercises as part of the Group's activities to ensure our continuous success. The Group has in place a succession planning matrix and has identified personnel who can fill up the critical roles in the future in times of crisis. The Group has also kept record of personnel who are eligible for retirement within the next 5 years and has consciously been identifying and developing talent to fill up the respective role as and when required. As we have identified this as a risk to our business operations, our succession planning implemented is to ensure the continuity of operations for each department.

OCCUPATIONAL HEALTH AND SAFETY ASPECTS

We also enforce stringent compliance requirements so that health and safety issues are not compromised. The Group ensures compliance with Occupational Safety and Health Act 1994 which provides a regulatory framework to promote standards for safety and health at work as well as the Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004 which sets out the requirement on the method, procedure and process of notification of accident, dangerous occurrence, occupational poisoning and occupational disease. We continuously place high emphasis on health and safety issues at our headquarters and project sites. Necessary training, equipment and protective gear are provided to our employees to ensure that they are adequately protected which reduces the risk of harm or injury. Our Group endeavours to ensure a safe working environment for all employees, subcontractors, consultants and customers alike.

The Covid-19 pandemic has brought to the forefront employees' health and safety. The Group practises strict Standard Operating Procedures ("**SOPs**") and has put in place the necessary changes in working practices and organisational arrangements. Since the beginning of the pandemic, the Group has put in place measures to ensure employees' health and safety are protected. All employees of the Group and sub-contractors' workers as well as visitors to our head office and the construction sites are required to perform MySejahtera check-in at the entrance of the premise/sites, pass temperature checks, wear face masks at all times and maintain social distancing. The Group also provided RTK antigen test kits for all employees/workers and visitors where necessary. Head Office staffs who report for work on the first working day of each week as well as visitors are only allowed access to the head office if they pass the RTK antigen tests. Employees of the Group and our sub-contractors' workers based at our construction sites are also required to perform the RTK antigen tests at every middle and end of the month. The RTK antigen tests are also required for every employee and worker who report for their first day of work at the construction sites. Any employees and workers who fail the RTK antigen tests will be denied entry to the construction sites.

If any of our employees or our subcontractor's workers are infected with Covid-19 or any contagious or virulent diseases, we may be required to temporarily shut down the affected operations at the site or head office to enable sanitisation and disinfection to be conducted. In the event any of our employees are categorised as close contact to an infected person, the said employees would be required to undergo Covid-19 swab test and to observe self-quarantine at home. In the event of any infected case at the project site, we as the employer will need to bear all the cost associated with the swab test and quarantine cost of our employees as well as cost of sanitisation and disinfection works at the affected project site. In addition, we will adhere to the recommended quarantine timeframes for any cases of close contact by our employees or our subcontractor's workers with Covid-19 positive cases.

Health and safety are crucial elements in all our activities, especially at our project sites. Our Group will always ensure that our deliverables meet customers' satisfaction in terms of quality and timeliness. Thus, we continue to monitor and improve our Group's health and safety performance through various programs put in place. These health and safety training programs are provided to employees as awareness programs to train and remind them on the importance of health and safety measures to follow. In addition, we also periodically remind our subcontractors of the need to adhere to the relevant safety requirements at our project sites.

Our Group is of the view that robust health and safety programs help prevent workplace injuries and illnesses by striving towards achieving successful prevention of untoward workplace incidences or accidents. Besides, these programs also help our Group to ensure our compliance with the relevant laws and regulations, reduce potential costs in workers' compensation premiums, better engagement with employees and sub-contractors through program activities, increase productivity of employees, improve our work environment and thus enhance the overall business operations.

OCCUPATIONAL HEALTH AND SAFETY ASPECTS Cont'd

We have ensured that all the safety measures and controls are embedded into the Group's policies and frameworks to safeguard our employees, sub-contractors, suppliers and other stakeholders at our project sites against health and safety risks at workplace. Amongst the efforts undertaken are as follows:

- Appointed a health and safety officer or a site safety supervisor at all our project sites to ensure health and safety laws and regulations as well as the relevant policies are complied with;
- Formalised a health and safety manual which is put in practice at our project sites and communicated to our sub-contractors and suppliers;
- Formalised a hazard identification, risk assessment and risk control framework which is utilised by management to identify and assess any potential health and safety risks at our project sites and determine the appropriate remedial methods; and
- Implemented an action timeline upon receipt of notices from the Department of Occupational Safety and Health to ensure that issues raised are attended and addressed in a timely manner.

We also require our sub-contractors and suppliers to ensure health and safety procedures are adhered to. Our Group's health and safety officers for each project site is responsible to ensure our projects are executed in compliance with the predetermined health and safety plan throughout the project duration to achieve safe project completion. Towards achieving health and safety objectives, the necessary signages were installed to remind our personnel and to raise awareness about health and safety issues at project sites.

Amongst the health and safety training attended by our employees during the FYE 2021 were:

No.	Courses attended	Organisers	Date of courses
i	Kursus Asas Mencegah Kebakaran dan Pasukan ERT	Balai Bomba dan Penyelamat Kulai	5 April 2021
ii	Occupational First Aid	Advanced Professional Training & Consultancy PLT	8 & 9 April 2021
iii	Pematuhan Pengurusan Buangan Terjadual Bagi Premis Ditetapkan	Kelab Kebajikan dan Social (KEJAR)	25 August 2021
iv	Latihan Kesedaran Perlindungan Jatuh Di Tempat Tinggi	National Institute of Occupational Safety and Health (NIOSH)	26 October 2021
v	Basic Lifting Supervisor Course	SATC Training & Construction Services	31 December 2021

SOCIAL ASPECTS

Our Group continues its social roles to support the community by contributing to several needy and charitable organisations through donations with the aim of caring for the wellbeing of the society at large. Employees are encouraged and supported to actively participate in social work and community services. During the Covid-19 pandemic, we have taken cognisance of the financial difficulties encountered by numerous charitable organisations due to the decrease in public donation and contributions. As such, the Group identified two charitable organisations located within the district of Kulai, Johor, namely Persatuan Penjagaan Kanak-Kanak Terencat Akal Johor Bahru and Pusat Jagaan Warga Emas Harmoni Cemerlang, and made donations of basic necessities.

HAILY GROUP'S CORPORATE SOCIAL RESPONSIBILITY PROGRAMME FOR 2021

PERSATUAN PENJAGAAN KANAK-KANAK TERENCAT AKAL JOHOR BAHRU

PUSAT JAGAAN WARGA EMAS HARMONI CEMERLANG

The Group views Corporate Social Responsibility ("CSR") as an important avenue to embrace its responsibility as a caring and responsible corporate citizen for its actions and to encourage a positive return to the community. Thus, in years to come, the Company intends to contribute back to the community by carrying out more CSR programmes similar to that as mentioned above.

In support of sustainable social growth, the Group always promote a working environment which gives its staff a strong sense of belonging to the Company such as: -

(i) Monthly birthday celebrations for head office's employees,
(ii) Provision of meals (breakfast/lunch) to employees on ad hoc basis such as during festive seasons, special occasion, etc, and
(iii) Company's annual dinner as token of appreciation to the employees for their efforts and contributions (this activity was temporarily ceased due to the restriction imposed as a result of the COVID-19 pandemic).

MARKETPLACE ASPECTS

One of our Group's main goals is the enhancement of shareholders' value without compromising on integrity, good business ethics as well as the maintenance of a high level of corporate governance practices. We believe in conducting business fairly, impartially and in full compliance with all laws and regulations. We also believe that honesty and integrity underline all of our relationships, including those with customers, sub-contractors, suppliers, business community at large and among employees. Our Group has established an employees' Code of Conduct and Business Ethics Policy as well as a Whistle Blowing Policy which act as a guide for employees to conduct themselves and provides an avenue for matters, such as breaches of rules and regulations, fraud or discrimination to be brought to the attention of our management in order to maintain our Group's high level of integrity and business ethics.

Haily Group is committed to provide equal employment opportunities and actively cultivates the culture of job ownership, equal learning opportunities and job satisfaction to our employees. This is done with the intention of engaging them to build a cohesive team in the organisation for the long-term contribution in terms of economic benefits for the Group.

MARKETPLACE ASPECTS Cont'd

Haily Group views our shareholders as an important component which contributes positive economic benefits to the Group. Our shareholders are invited to attend the Group's Annual General Meeting and are periodically kept informed of the Group's financial performance and position through the Company's required announcements. Up-to-date information such as the Company's annual report, quarterly financial information, corporate information, activities and other pertinent information can be accessed by the public via the websites of Bursa Securities and of the Group.

Haily Group takes proactive action in maintaining business sustainability through valuing its customers' satisfaction and maintaining a good relationship with sub-contractors and suppliers who are an integral part of the Group's value chain to ensure profit sustainability. This is prominent especially in the era of a fast-paced business environment that Haily Group continues to operate in to enhance the Group's competitiveness by improving its operating and cost efficiency in areas focusing on its core business of building construction of residential and non-residential buildings as well as the provision of rental of construction machinery.

To further add value to our customers who are the main focus of our value chain, we constantly engage with them to keep ourselves abreast of their needs and expectations in order to deliver quality products and ensure customer satisfaction. We are ISO 9001:2015 Quality Management System Standards certified and this accreditation enhances our reputation and credibility and upholds our standards in the construction industry.

Haily Group also maintains strong supply chain management through building its long-term relationship with its sub-contractors and suppliers via constant engagement. Haily Group maintains a stringent control over the quality of the products by performing the necessary assessments prior to choosing its sub-contractors and suppliers through review of profile, track record, delivery timeliness, pricing, market reputation and quality of final deliverables.

The Board of Haily is committed to ensure that the highest standards of corporate governance ("**CG**") is observed and practiced throughout the Group as a fundamental part of discharging its duties and responsibilities in order to achieve the Group's long-term objectives, protect and enhance shareholders' value and safeguard the interests of stakeholders.

This CG Overview Statement provides shareholders and investors with an overview of the application of the practices ("**CG Practices**") set out in the revised Malaysian Code on Corporate Governance issued by the Securities Commission of Malaysia ("**SC**") on 28 April 2021 ("**MCCG**") by the Company throughout the FYE 2021 and should be read together with the Corporate Governance Report 2021 ("**CG Report**") of the Company which provides the details on how the Company has applied each CG Practices. Other than Practice 5.4, 5.9, 8.2, 12.2, 13.3 and 13.5, the Board is of the view that Haily has substantially complied with the recommendations of the MCCG.

The CG Report is available on the Company's website at www.haily.my as well as via announcement on Bursa Securities's website.

All references made to the Company's website in this statement refers to www.haily.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Roles and Responsibilities of the Board

The roles and responsibilities of the Board, Chairman of the Board, EDs, CEO, Senior Independent Non-Executive Director, the Board Committees ("**Committees**"), the members of the Board and management are set out in the Board Charter which is accessible through the Company's website.

All Directors are expected to act with utmost integrity, led by example, keep abreast of their responsibilities as directors and of the conduct, business activities and development of the Company. The Board assumes ultimate accountability and responsibility for the stewardship of the Group and provides leadership within a framework of prudent and effective controls which enables risk to be appropriately assessed and managed. The powers and duties of the Directors are as set out in the Constitution of the Company and as prescribed under Sub-division 3 of Division 2 of the Companies Act 2016 including those expounded under Guidance 1.1 of the MCCG.

The Board's responsibilities in respect of the stewardship of the Group include providing strategic leadership and business direction, development and control of the Group, management oversight, initiatives to embrace the responsibilities listed in the MCCG as well as integration of sustainability consideration in the Group's corporate strategy, governance and decision-making in order to achieve the Group's long-term objectives, enhance shareholders' value and safeguard the interests of stakeholders. While the Board sets the strategic plan and policies, the CEO who is supported by the EDs and assisted by the Senior Management of the Group is responsible for making and implementing operational and corporate decisions while the Independent Non-Executive Directors ("**INEDs**") ensure corporate accountability by providing unbiased and independent views, advice and judgement and challenging the Management's assumptions and projections in safeguarding the interests of the shareholders.

The Board is also assisted by several Board Committees, namely ARMC, Nominating Committee ("**NC**") and Remuneration Committee ("**RC**") to assist in the execution of Board functions. The ARMC and the Board are further assisted by the SRMC (a Management level Committee) playing a pivotal oversight function as delegated by the Board. These Committees ensure greater focus, objectivity and independence in the deliberation of specific Board agendas. All Committees have written terms of reference which are available for reference on the Company's website. These Committees are formed in order to enhance business and operational efficiency as well as efficacy. The respective Chairman of these Committees would report to the Board during the Board meetings on significant matters and salient matters deliberated in the Committees.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

I. BOARD RESPONSIBILITIES Cont'd

Roles and Responsibilities of the Board Cont'd

Although the Board may delegate powers and responsibilities to these Committees, the Board retains ultimate accountability for discharging its duties.

The Board continuously upholds CG standards and values in the organisation and strives to lead by example in strengthening its competitiveness and instill investor confidence in the Group. For the discharge of its duties and responsibilities, the applicable CG Practices and guidances are embedded in the Terms of Reference of the respective Committee, the Board's Policies and the Board Charter which clearly delineate relevant matters including those reserved for the Board's approval, and those which the Board may delegate to the Committees, the CEO, the EDs and the Management.

In February 2022, the Board conducted a review on the Board Charter, Board's Policies and the Terms of Reference of all Committees in conjunction with the review of the Group's CG Practices with reference to the MCCG and the recent amendment to the ACE Market Listing Requirements ("**ACE LR**") by Bursa Securities on 19 January 2022. Having conducted the review, the Board approved various changes to the Board Charter, Board's Policies and the Terms of Reference of all Committees to incorporate the applicable CG Practices of the MCCG and the recent amendments to the ACE LR in order to keep them up to date and consistent with the Board's objectives and responsibilities.

The Board also took into consideration the guidance provided under the 4th Edition of Bursa Securities Corporate Governance Guide issued on 15 December 2021.

The following updated Board Charter, Policies and Terms of References approved and adopted by the Board are available on the Company's website: -

<u>Policies</u>

- Anti-Bribery and Anti-Corruption Policy
- Board Corporate Disclosure Policy
- Board Policy Protocols and Procedures in respect of Response to Rumours or Reports/Unusual Market Activity from Bursa Securities
- Board's Procedures for Appointment of Directors
- Code of Conduct and Business Ethics Policy
- Continuing Education Policy
- Diversity Policy
- Remuneration Policy
- Stakeholder Communications Policy
- Whistle-Blowing Policy
- Fit and Proper Person Policy

<u>Terms of Reference</u>

- Audit and Risk Management Committee
- Nominating Committee
- Remuneration Committee

Separation of Position of Chairman and Group

The roles of the Chairman and the CEO are distinct and separated to ensure a balance of power and authority. The Board is headed by Haji Mohd Jaffar Bin Awang (Ismail), who is the Independent Non-Executive Chairman while the CEO is Mr Yoong Woei Yeh.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

I. BOARD RESPONSIBILITIES Cont'd

Separation of Position of Chairman and Group Cont'd

The Chairman is responsible for leadership, governance, orderly conduct of the Board and ensuring the effectiveness of all aspects of its role. The Chairman represents the Board to the shareholders and acts as facilitator at the meetings of the Board and ensure that no Board member dominates the discussion, appropriate discussion takes place, relevant opinion among Board members is forthcoming and decisions are arrived after due consideration.

The CEO has the executive responsibility for the day-to-day operations of the Group's business and is responsible to implement the Group's policies, strategies and decisions adopted by the Board. The CEO shall be the head of the Management of the Group and reports to the Board. The positions of the Chairman and the CEO are separately held ensuring balance of power, accountability and division of roles and responsibilities of the Board and the Management of the Group's business and operations. The Board has developed descriptions for responsibilities of the Board Chairman and CEO. The details of these responsibilities are articulated in the Board Charter which is accessible from the Company's website.

Qualified and Competent Company Secretaries

The Board is supported by two (2) External Company Secretaries, both qualified to act as Company Secretary under Section 235 of the Companies Act 2016 and also registered as holders of the Practising Certificate issued by Suruhanjaya Syarikat Malaysia. Both the Company Secretaries are Associate Members of the Malaysian Institute of Chartered Secretaries and Administrators.

The Company Secretaries provide the required support to the Board in carrying out its duties and stewardship role, providing the necessary advisory role with regards to the Company's Constitution, Board's policies and procedures as well as compliance with all regulatory requirements, codes, guidance and legislation.

All Directors also have full and unrestricted access to the advice and services of the Company Secretaries. The Board is regularly updated on new guidelines, directives and new regulatory issues affecting the Group by the Company Secretaries as well as external consultants. The Company Secretaries together with the EDs assist the Chairman of the Board and Chairman of Board Committees to deal with the Board agenda and to provide the relevant information and documents to Directors on a timely basis. The Board is satisfied with the support and performance rendered by the Company Secretaries in assisting the Board to discharge its duties.

The Company Secretaries attend all Board and Committee meetings and ensure the meetings are properly convened, deliberations and decisions made by the Board are accurately minuted, recorded and kept. The Company Secretaries attended relevant development and training programmes to enhance their abilities in discharging their duties and responsibilities.

Board Meeting

A corporate calendar of all scheduled meetings and planned events for the coming financial year is furnished to all Directors and the Management by the Company Secretaries normally before the start of the financial year to aid and facilitate the Directors in scheduling and meeting their time commitments.

In order to discharge their responsibilities effectively, the Board meets regularly on a quarterly basis. Additional or special Board meetings may be convened as and when necessary to consider and deliberate on any urgent proposals or matters under their purview and which requires the Board's expeditious review or consideration. Such meetings will enable the Board members to effectively assess the feasibility of the business, corporate proposals and the principal risks that may have significant impact on the Group's business or on its financial position and the mitigating factors. All Board approvals sought are supported with all the relevant information and explanations required for an informed decisions to be made.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

I. BOARD RESPONSIBILITIES Cont'd

Board Meeting Cont'd

To facilitate productive and meaningful deliberations, the proceedings of the Board meetings are conducted in accordance with a structured agenda with the supply of complete and timely information to enable the Board to discharge their responsibilities effectively and for them to make informed decisions. The Board reviews and deliberates on the Group's financial performance and results, business operations, reports of the various Committees, corporate exercises and strategic financials and investments decisions. In the intervals between Board meetings, any matters requiring urgent Board decisions and/or approvals will be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made.

The Chairman ensures that the Committees meetings are not combined with the main Board meeting. Committees meetings are conducted separately from the Board meeting to enable objective and independent discussion during the respective Committee meetings.

The deliberations and decisions at Board and Committees meetings are well documented in the minutes. The Company Secretaries will circulate the draft minutes of meetings for the Board and Board's Committee review in a timely manner and tabled for the confirmation in the subsequent meeting.

Access to Information and Advice

The Board has unrestricted access to all information within the Group and has the authority to seek any information they require from any employee of the Group and all employees must comply with such request. All Board members have direct access to the advices and services of the Company Secretary. The Board is constantly kept informed of various requirements and updates issued by various regulatory authorities. In addition, the Board may obtain independent professional advice in furtherance of their duties whenever necessary at the Company's expense through an agreed procedure.

The Board is provided with relevant supporting information and data on operational, financial and corporate issues as well as minutes of meetings of the various Board Committees prior to the meetings to enable Directors to obtain further explanations and/or clarifications, if necessary, in order to ensure the effectiveness of the proceeding of the meetings. This information is circulated to the Board members at least seven (7) days prior to the Board meetings so as to provide the Directors with relevant and timely information to enable them to deliberate issues raised during Board meetings more effectively whilst highly sensitive corporate proposals are circulated during the meeting. Additionally, the Management is also invited to brief and provide additional information or clarification in meetings of the Board and Board Committees.

Board Charter

The Board Charter is a primary document, clearly set out the roles and responsibilities of the Board, Chairman of the Board, EDs, the Board Committees, CEO, the Individual Board members and management taking into consideration all applicable laws, rules and regulations as well as the best practices. It serves as guidance to assist all Board members and outlines what is expected from them in terms of their commitment, roles and responsibilities in discharging their fiduciary duties and fulfilling their responsibilities as Board members. It serves as a reference and primary induction literature in providing Board members insight into the function of the Board of the Company. Board specific reserved matters covering areas such as strategy and business planning, finance and controls, people, compliance, support and assurance and others are entrenched in the Company's Board Charter. It also serves as a reference in the annual assessment of the Board's performance, performance of its committees, Chairman of Board committees, INEDs and of its individual Directors.

The Board had reviewed the Board Charter on 23 February 2022 which is available on the Company's website.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

I. BOARD RESPONSIBILITIES Cont'd

Code of Conduct and Business Ethics

The Board has formalised a Code of Conduct and Business Ethics ("**the Code**"), setting out the standards of conduct expected from Directors and employees at executive level and above (referred as "**employees**"). The Code sets out the standards of ethical behaviour and values expected of Directors and employees and serves as a guide and reference in the course of the performance of their duties and responsibilities. The Board aims to ensure that all Directors and employees act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Company.

The Board has implemented appropriate processes and systems to support, promote and ensure its compliance. The Board had reviewed the Code on 23 February 2022 which is available on the Company's website.

Whistle-Blowing Policy

The Board has adopted a Whistle-Blowing Policy ("**WBP**") which sets out the disclosure procedures and protection for whistle blowers to meet the Group's ethical obligations. Employees and stakeholders are encouraged to raise any serious concerns they have on any suspected misconduct or malpractices without fear of victimisation in a responsible manner rather than avoiding or overlooking them.

The WBP was reviewed and approved by the Board on 23 February 2022 which is available for reference on the Company's website.

This Policy is administered by the ARMC with the assistance of the Management and overseen by the Board.

Sustainability Strategies

The Board views the commitment to promote sustainability strategies in the environment, economy, social and governance aspects including climate-related risks and opportunities as part of its broader responsibility to all its various stakeholders and the communities in which it operates.

The Group strives to achieve a sustainable balance between meeting its business goals, preserving the environment to sustain the ecosystem and the welfare of its employees and the communities in which it operates. The Group's efforts to promote sustainable initiatives for the communities in which it operates, the environment and the employees are set out in the Sustainability Statement in this Annual Report.

II. BOARD COMPOSITION

Haily is led and managed by a diverse, competent and experienced Board of Directors with a mix of suitably qualified and experienced professionals having wide and varied expertise in the fields of accounting, finance, taxation, business, construction and law. This enables the Board to carry out its responsibilities effectively and ensures accountability. In areas where the Board may not possess the required expertise, the Board would be able to garner advice from its consultants in the required field. The current Board is drawn from different ethnic, cultural and socio-economic background with their age ranging from 36 years to 69 years to ensure that different viewpoints are considered in the decision making process.

As at the date of this statement, the Board has seven (7) members comprising three (3) EDs and four (4) INEDs (including the Chairman but excluding the Alternate Director).

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

II. BOARD COMPOSITION Cont'd

The current Directors of the Company as at the date of this statement are as follows: -

Name of Directors	Directorate
Haji Mohd Jaffar Bin Awang (Ismail)	Independent Non-Executive Chairman
See Tin Hai	Executive Director
Yoong Woei Yeh	CEO/Executive Director
See Swee Ling	Executive Director
Tan Sui Huat	Senior Independent Non-Executive Director
Ong Kheng Swee	Independent Non-Executive Director
Poh Boon Huwi	Independent Non-Executive Director
See Cul Wei	Alternate Director to See Tin Hai

This composition of the Board fulfils the requirements as set in the ACE LR of Bursa Securities which require at least two (2) directors or one third (1/3) of the Board, whichever is higher, to be independent directors as well as fulfilled the requirement of MCCG to comprise at least half of the Board members are independent directors.

Currently, the Board has two (2) female Directors and five (5) male Directors that constitutes 28.6% female representation on the Board. The Board is cognisant of the requirement for the Company to comply with Practice 5.9 of the MCCG, which provided for the Company to have at least 30% women directors and shall use all their best endeavour to seek, observe and identify suitable women candidate to the Board and ensure that the composition of the Board comprises at least 30% women directors within one (1) year from the listing of the Company as stated in the Company's Prospectus issued on 30 June 2021.

Nevertheless, the Board is of the view that the current mix of skills, competence, knowledge and experience and qualities of the current Board members are appropriate to enable the Board to carry out its responsibilities effectively.

All the Directors of the Company do not hold more than five (5) directorships in listed issuers as required under Rule 15.06 of the ACE LR. The profile of each Director is set out in pages 8 to 15 of this Annual Report.

Independence of the Board

Having listed on the ACE Market since 21 July 2021, none of the Independent Directors has exceeded a cumulative term of more than nine (9) years in the Company as at 21 March 2022.

The Board adopted the concept of independence in tandem with the definition of the Independent Directors under the Paragraph 1.01 and Guidance Note 9 of the ACE LR of Bursa Securities.

The Independent Directors provide their independent view, unbiased judgment and knowledge to the management as well as safeguarding the interests of the shareholders and do not participate in the day-to-day management of the Group.

The Board has also adopted the best practices for assessing the independence of Independent Directors annually and the tenure of an Independent Director should not exceed a cumulative term of nine (9) years. When the Board retains an Independent Director, who has served in that capacity for more than nine (9) years, the Board would justify its decision and seek shareholders' approval.

All four (4) Independent Directors satisfy the independence test under the ACE LR of Bursa Securities. The Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company. The Independent Directors constitute at least half of the current Board structure.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

II. BOARD COMPOSITION Cont'd

Appointment to the Board

The Board is committed to upholding high standards of governance in respect of new appointments to the Board to ensure that the Directors of the Company conform with the Company's Fit and Proper Person Policy and comprised of those, who have the necessary skills, competencies, commitment, character, integrity and experience to complement the efficiency and effectiveness of the Board as a whole.

The Board's Fit and Proper Person Policy and procedures for appointments to the Board are viewed as a vital component of the governance process in determining the composition, size, balance, competencies and ultimately the quality and integrity of the Board.

The Company has formal and transparent procedures established for the appointment of new director to the Board. The procedures for the appointment of new directors were adopted by the Board on 2 September 2020 and were last reviewed and approved by the Board on 23 February 2022 which are made available for reference on the Company's website.

The NC is responsible for assessing and recommending suitable candidate for directorship to the Board, leveraging on several sources such as recommendation from existing Board Members, Senior Management, substantial shareholders, business associates and referrals from third party consultants and independent sources such as professional bodies and organisation to gain access to wide pool of potential candidates, based on the profile and background of the candidates.

The NC is mindful of the importance of succession planning for the members of the Board and Senior Management including formalising its stand and approach to boardroom diversity. NC will where practicable, maintain a database of suitable and potential candidates for meeting the roles identified.

Re-election of Directors

The re-election of Directors provides an opportunity for shareholders to renew their mandate conferred to the Directors.

Clause 133 of the Company's Constitution provides that all directors shall retire by rotation once in every three (3) years or at least one-third (1/3) of the Board shall retire but shall be eligible to offer themselves for re-election at the Annual General Meeting ("**AGM**"). Whereas Clause 118 of the Company's Constitution provides that any Director appointed to fill a casual vacancy or as an addition to the Board shall hold office only until the next AGM and shall then be eligible for re-election.

The Director who is subject to re-election and/or re-appointment at the next AGM shall be assessed by the NC before recommendation is made to the Board and shareholders for the re-election and/or re-appointment.

The above provisions are adhered to by the Board. Information on Directors standing for re-election are outlined in the Profile of Directors. These include their age, gender, date of appointment, directorate, details of any board committee, directorships in other public companies and listed companies, qualification, working experience, and any conflict of interest as well as their shareholdings in the Company is set forth on pages 8 to 15 and their attendance of the Board meetings are set forth on page 40 of this Annual Report.

At the forthcoming 2nd AGM, Haji Mohd Jaffar Bin Awang (Ismail) and Ms See Swee Ling are due to retire by rotation under Clause 133 of the Company's Constitution and being eligible have offered themselves for re-election. Following the NC's review on the performance of Haji Mohd Jaffar Bin Awang (Ismail) and Ms See Swee Ling in all key areas of meeting attendance, time commitment and operational matters and having noted that the independence of Haji Mohd Jaffar Bin Awang (Ismail) has not been compromised or impaired in any way and that they have performed and discharged their responsibility as Directors of the Company adequately and satisfactory as well as contributed positively to the effective functioning and processes of the Board, had recommended to the Board for their re-election at the forthcoming 2nd AGM of the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

II. BOARD COMPOSITION Cont'd

Re-election of Directors Cont'd

Ms Poh Boon Huwi who was appointed to the Board as an additional Director on 24 November 2021 shall hold office only until the forthcoming 2nd AGM and shall then be eligible for re-election under Clause 118 of the Company's Constitution. The appointment of Ms Poh Boon Huwi was based on the NC's assessment which took into consideration the qualification, character, experience, integrity, competencies, time commitment and independence. The NC, after concluding that Ms Poh Boon Huwi's independence has not been compromised or impaired in any way and will be in a position to continue to carry out her duties and responsibilities as an Independent Director of the Company as well as further strengthen the Board's composition and dynamics, had recommended for her re-election to the Board.

The Board taking into consideration of the NC's recommendation, approved to recommend to the shareholders to endorse the re-election of Haji Mohd Jaffar Bin Awang (Ismail), Ms See Swee Ling and Ms Poh Boon Huwi at the forthcoming 2nd AGM of the Company.

Diversity Policy

The Board acknowledges the importance of diversity to ensure the mix and profiles of the Board members, in terms of age, ethnicity and gender, ability to provide the necessary range of perspectives, experiences and expertise required are well balanced in order to achieve effective board stewardship. The Board had adopted a Diversity Policy which acknowledges the importance of Board and Senior Management diversity which includes, but is not limited to, business experience, nationality, age, gender and ethnicity. The Diversity Policy is available for reference on the Company's website.

Currently, the Board has two (2) female Directors and five (5) male Directors that constitutes 28.6% female representation on the Board. The Board shall use all their best endeavour to seek, observe and identify suitable women candidate to the Board and ensure that the composition of the Board comprises at least 30% women directors within one (1) year from the listing of the Company to fulfil the Company's commitment as stated in the Company's Prospectus issued on 30 June 2021.

Fit and Proper Person Policy

The Board had established and adopted the Fit and Proper Person Policy in February 2022, to ensure that the Board's quality and integrity is maintained and up to expectations. It also serves as guidance for the appointment, re-election of Directors and the appointment of key management personnel to carry out their responsibilities with full competence, character, diligence, integrity and judgement. The main objective of this Policy is to ensure that the Group is led by persons of integrity, credibility and competency as well as to enable the discharge of the responsibilities required of the position in the most effective manner.

The Company's Fit and Proper Person Policy is available on the Company's website.

Evaluation of Board Performance

The Board through the NC evaluates the performance of the Board as a whole, the Board Committees, the individual Directors and the independence of the Independent Directors on an annual basis. The evaluation criteria and processes are in accordance with the procedure that has been established, endorsed and approved by the Board following the recommendation made by the NC. The Board evaluation process is carried out by way of peer assessment, in the form of evaluation questionnaires completed, reviewed and deliberated by the NC before its findings and recommendations were tabled to the Board.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

II. BOARD COMPOSITION Cont'd

Evaluation of Board Performance Cont'd

The NC reviews the Board Composition in terms of appropriate size, required mix of skills, experiences and other qualities, including core competencies and adequacy of balance between EDs and INEDs. As part of the annual assessment of the individual Directors, the NC will review the professionalism, integrity, honesty, competency, time commitment, contribution and performance and ensure no conflict of interest arises that would impair their ability to represent the interest of the Company's Shareholders and stakeholders and to fulfil the responsibilities of a director.

The evaluation of the Performance of the Chairman of the Board, the Chairman of the ARMC, NC, RC and the Senior Independent Non-Executive Director was also conducted during the scheduled meeting of the NC. Each Director abstained from deliberation on their own evaluation.

Attendance of Board and Board Committees' Meetings

The Board schedules at least four (4) meetings in a financial year with additional meetings to be convened as and when necessary. During the FYE 2021 the Board conducted five (5) Board Meetings where they deliberated and approved various reports and matters, including the quarterly financial results of the Group.

The attendance record of Directors at the Board and Committees meetings held during the FYE 2021 is set out below:-

		Attendance		
Name of Directors	**Board**	**ARMC**	**NC**	**RC**
Haji Mohd Jaffar Bin Awang (Ismail)	5/5	4/4	2/2	3/3
See Tin Hai	5/5	-	-	-
Yoong Woei Yeh	5/5	-	-	-
See Swee Ling	5/5	-	-	-
Tan Sui Huat	5/5	4/4	2/2	3/3
Ong Kheng Swee	5/5	4/4	2/2	3/3
Poh Boon Huwi *Appointed on 24 November 2021*	N/A	N/A	N/A	N/A
See Cul Wei (Alternate Director to See Tin Hai) *Appointed on 24 November 2021*	N/A	N/A	N/A	N/A

Training and Development of Directors

The Board recognises that it is imperative that Directors devote sufficient time to update their knowledge and enhance their skills through appropriate continuing education programmes and had adopted a Board Policy on Continuing Education to set forth the elements of continuing education for Board members in addition to the initial induction process to ensure that Board members maintain and update their skills and knowledge necessary to meet their obligations. The Policy is available for reference on the Company's website.

The Chairman of the NC based on the annual assessment of each Director is authorised to make recommendations for each individual Director's continuing education requirements as the NC may deem necessary or appropriate to meet the intentions and purposes of this policy.

The Directors are also encouraged to evaluate their own training needs on a continuous basis to determine and attend the relevant training programmes, seminars, briefings or dialogues to further enhance their skills and knowledge in the latest statutory and regulatory requirements as well as to keep abreast with the business development to assist them in discharging their duties and responsibilities more effectively.

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

II. BOARD COMPOSITION Cont'd

Training and Development of Directors Cont'd

All members of the Board have attended the Mandatory Accreditation Programme as prescribed by the ACE LR.

Below are the training programmes and seminars attended by the Directors during the FYE 2021:-

Date	Training Programmes/ Seminars	Name of Director
5 March 2021	Cyber Security- The Role of Finance Leaders (ACCA United Kingdom and Chartered Accountants, New Zealand and Australia)	Ong Kheng Swee
21 – 22 April 2021	MIA Virtual Conference Series: Risk Management Conference 2021 (MIA)	Ong Kheng Swee
8 – 10 June 2021	Virtual MIA International Accountants Conference 2021: Navigating a Sustainable Future with Agility and Resilience (MIA)	Ong Kheng Swee
6 August 2021	Talk on Achieving Tax – Aligned Mergers & Acquisitions (M&A) (Chartered Tax Institute of Malaysia)	Ong Kheng Swee
21 September 2021	Structured Advocacy Session on Corporate Disclosure for Directors and Senior Management of ACE Market Listed Corporations – Corporate Disclosure Framework and Expectations on Disclosures (Bursa Securities)	Yoong Woei Yeh
23 September 2021	MIA Webinar Series: Sustainable Finance & ESG for Value Creation (MIA)	Ong Kheng Swee
27 – 28 September 2021	2021 IIA Malaysia National Conference (The Institute of Internal Auditors Malaysia ("IIA"))	Ong Kheng Swee
6 – 7 October 2021	MIA Webinar Series: CFO's Business Strategic Consulting & Coaching	Ong Kheng Swee
12 October 2021	ACCA Technical Symposium 2021: Business Strategy and Financial Reporting Considerations in Response to the Impact of Covid-19 and Post Pandemic Recovery	Ong Kheng Swee
2 November 2021	Live Webinar - Valuation on Mergers and Acquisitions (CPA Australia)	Ong Kheng Swee
7 December 2021	MIA Webinar Series : Technical Updates: IFRS	Poh Boon Huwi
8 December 2021	MIA Virtual Conference Series: CFO Conference 2021	Ong Kheng Swee
15 December 2021	Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries, Issued by SC, Revised Malaysian Code on Corporate Governance and Corporate Disclosure Policy (Tricor Training Academy – Tricor Hive Sdn Bhd)	Haji Mohd Jaffar Bin Awang (Ismail) See Tin Hai Yoong Woei Yeh See Swee Ling Tan Sui Huat Ong Kheng Swee Poh Boon Huwi See Cul Wei

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

II. BOARD COMPOSITION Cont'd

Nominating Committee

The NC of the Company is chaired by the Senior Independent Non-Executive Director and is primarily responsible for the proposing of new candidates for the Board and for assessing the performance of the members of the Board on an on-going basis. The NC is governed by its Terms of Reference approved by the Board which is available on the Company's website.

The NC comprises exclusively of INEDs as follows:

Name of NC Members	Designation	Directorate
Tan Sui Huat	Chairman	Senior Independent Non-Executive Director
Ong Kheng Swee	Member	Independent Non-Executive Director
Haji Mohd Jaffar Bin Awang (Ismail) *Resigned on 24 November 2021*	Member	Independent Non-Executive Chairman
Poh Boon Huwi *Appointed on 24 November 2021*	Member	Independent Non-Executive Director

As at 31 December 2021, Haily is in compliance with Practice 1.4 of the MCCG whereby the Chairman of the Board, Haji Mohd Jaffar Bin Awang (Ismail) is not a member of the ARMC, NC and RC.

The Chairman of the Board was a member of the ARMC, NC and RC from 2 September 2020 until 24 November 2021.

With the issuance of the MCCG by the SC on 28 April 2021, the Board at its meeting held on 24 November 2021, approved the re-organisation of the ARMC, NC and RC to be in line with Practice 1.4 of the MCCG. Accordingly, as an INED, Ms Poh Boon Huwi who was newly appointed to the Board was appointed as a member of the ARMC, NC and RC while Mr Tan Sui Huat was appointed as Chairman of the RC, in place of Haji Mohd Jaffar Bin Awang (Ismail) who resigned as a member of the ARMC, NC and Chairman of RC in line with Practice 1.4 of the MCCG.

In compliance with the provision of Rule 15.08A(3) of the ACE LR of Bursa Securities, the activities of the NC for the FYE2021 are set out in Practices 5.3, 5.5, 5.6, 5.7 and 6.1 of the CG Report.

III. REMUNERATION

Remuneration Committee

The RC comprises exclusively of INEDs as follows:

Name of RC Members	Designation	Directorate
Tan Sui Huat *Member since 2 September 2020* *Appointed as Chairman on 24 November 2021*	Chairman	Senior Independent Non-Executive Director
Haji Mohd Jaffar Bin Awang (Ismail) *Resigned on 24 November 2021*	Chairman	Independent Non-Executive Chairman
Ong Kheng Swee	Member	Independent Non-Executive Director
Poh Boon Huwi *Appointed on 24 November 2021*	Member	Independent Non-Executive Director

CORPORATE GOVERNANCE OVERVIEW STATEMENT CONT'D

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS Cont'd

III. REMUNERATION Cont'd

Remuneration Committee Cont'd

The RC and Board are mindful of the need to remunerate and retain its Directors and Senior Management to ensure that their commitment remains intact as well as to properly motivate, inspire and drive their performance. Their remuneration package is therefore, directly linked to their performance, service, seniority, experience and scope of responsibilities.

The RC is responsible to establish, recommend and constantly review a formal and transparent remuneration policy framework and terms of employment for the Board to attract and retain directors and Senior Management which is aligned with the business strategy and long term objectives of the Group taking into consideration that the remuneration of the Directors and Senior Management should reflect the responsibilities, expertise and complexity of the Company's activities.

The Board had formalised and adopted a Remuneration Policy for the Board and Senior Management to attract and retain the Directors and Senior Management required to lead and control the Group effectively. In the case of EDs and Senior Management, the components of the remuneration package are linked to corporate and individual performance. For Non-Executive Directors, the level of remuneration is reflective of their experience, seniority and level of responsibilities.

The Remuneration Policy Framework on Remuneration of Directors and Senior Management is available on the Company's website.

The details of the remuneration and benefits paid to the Directors and Key Senior Management of the Company and the Group for services rendered in all capacities for the FYE 2021 are tabulated under Practices 8.1 and 8.3 of the CG Report respectively.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE

The ARMC comprises exclusively of INEDs as follows:

Name of ARMC Members	Designation	Directorate
Ong Kheng Swee	Chairman	Independent Non-Executive Director
Tan Sui Huat	Member	Senior Independent Non-Executive Director
Haji Mohd Jaffar Bin Awang (Ismail) *Resigned on 24 November 2021*	Member	Independent Non-Executive Chairman
Poh Boon Huwi *Appointed on 24 November 2021*	Member	Independent Non-Executive Director

The ARMC Chairman, Mr Ong Kheng Swee is a member of the Malaysian Institute of Accountants and is not the Chairman of the Board.

The ARMC is authorised by the Board to investigate any activity within its Terms of Reference. It shall have full and unrestricted access to any information pertaining to the Company and the Group and is authorised to seek any information it requires from any employee and all employees are directed to cooperate with any request made by the ARMC.

The detailed Terms of Reference of the ARMC outlining the composition, duties and functions, authority and procedures of the ARMC is published and available on the Company's website.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT Cont'd

I. AUDIT AND RISK MANAGEMENT COMMITTEE Cont'd

The independence, objectivity and integrity of the members of the ARMC are the key requirements which the Board recognises as essential for an effective and independent ARMC. None of the members of the Board is former key audit partner. As a measure to safeguard the independence and objectivity of the audit process, the ARMC has incorporated a policy stipulation that governs the appointment of a former key audit partner to the ARMC. The policy which is codified in the ARMC's Terms of Reference requires a former key audit partner to observe a cooling-off period of at least three (3) years before he can be considered for appointment as a committee member.

Assessment of External Auditor

The ARMC has adopted a procedure to assess the suitability, objectivity and independence of the External Auditors. The ARMC continues assessing the level of non-audit services rendered by the External Auditor to ensure that such services will not impair their objectivity and independence. Being satisfied with the performance, technical competence and audit independence, the ARMC will then recommend any re-appointment decision to the Board, where the Board will make the appropriate recommendation to seek shareholders' approval in the AGM.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The Board affirms its overall responsibility for maintaining a sound governance, risk management and internal control systems and for reviewing their adequacy and effectiveness so as to provide assurance on the achievement of the Group's corporate objectives and strategies and to safeguard all its stakeholders' interests and protecting the Group's assets as well as to establish risk appetite of the Group based on the corporate objectives, strategies, external environment, business nature and corporate lifecycle.

The ARMC assists the Board in discharging its roles and responsibilities to oversee the effectiveness and adequacy of the risk management and internal control system of the Group.

To maintain total independence in the management of the Group's internal control environment and ensure compliance with the ACE LR, the Group has an internal audit function which is outsourced to an independent professional service firm, NeedsBridge Advisory Sdn Bhd, who reports directly to the ARMC and assists the ARMC in managing the risks and establishment of the internal control system and processes of the Group by providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's risk management and internal control system and processes.

Recognising the importance of risk management processes and practices, the Board has formalised a risk management and internal control framework to enable management to identify, evaluate, control, monitor and report to the Board the principal business risks faced by the Group on an ongoing basis, including remedial measures to be taken to address the risks.

Further details pertaining to the review on the Group's internal control system and its effectiveness are set out in the Statement on Risk Management and Internal Control on pages 51 to 57 of this Annual Report.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board recognises the importance of communications with its stakeholders and is committed to upholding high standards of transparency and promotion of investor confidence through the provision of comprehensive, accurate and quality information on a timely basis.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS Cont'd

I. COMMUNICATION WITH STAKEHOLDERS Cont'd

The Board has in place the Stakeholders Communication Policy which sets out the aims and practices of the Company in respect of communicating with its shareholders (both current and prospective) and the Corporate Disclosure Policy which the Board adopted:

- To promote and elevate a high standard of integrity and transparency through timely comprehensive, accurate, quality and full disclosure.
- To promote and maintain market integrity and investor confidence.
- To exercise due diligence to ensure the veracity of the information being disseminated is factual, accurate, clear, timely and comprehensive.
- To build good relationship with all stakeholders based on transparency, openness, trust and confidence.
- To have in place efficient procedures for management of information, which promotes accountability for the disclosure of material information.

The detailed Stakeholders Communication Policy and Corporate Disclosure Policy are available for reference on the Company's website.

II. CONDUCT OF GENERAL MEETINGS

As stated earlier, the Board recognises the importance of communications with its shareholders and will take additional measures to encourage shareholders' participation at general meetings as recommended under the MCCG.

The AGM is the principal forum for dialogue and interaction with shareholders. The Board provides a platform to shareholders to raise questions pertaining to the business activities of the Group at the AGM. The Chairman together with other Directors and external auditors are expected to be present at the forthcoming AGM to respond to any enquiries from the shareholders as well as to have discussion with shareholders, if required. Shareholders who are unable to attend, are allowed to appoint proxies to attend and vote on their behalf.

In line with the best CG practice, the Notice of AGM will be issued at least 28 days before the AGM in order to provide sufficient time for shareholders to understand and evaluate the subject matter.

Pursuant to Rule 8.31A(1) of the ACE LR, all resolutions set out in the notice of AGM will be put to vote by way of poll. The Board will make an announcement on the detailed results showing the number of votes cast for and against each resolution at the AGM to facilitate greater shareholder participation.

This CG Overview Statement was approved by the Board of the Company on 30 March 2022.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The ARMC was established by the Board of Haily on 2 September 2020 to assist the Board to carry out its responsibilities. The ARMC is guided by its Terms of Reference which sets out the composition, duties and functions, authority and procedures of the ARMC.

The ARMC is pleased to present its report and its summary of work for the FYE 2021 in compliance with Rule 15.15 of the ACE LR of Bursa Securities.

COMPOSITION

The ARMC comprises three (3) members, all of whom are INEDs. Two (2) of the ARMC members are members of the MIA. No alternate director is appointed as a member of the ARMC. The ARMC meets the requirements of Rule 15.09(1)(a), (b), (c)(i) and 15.09(2) of the ACE LR of Bursa Securities and Practice 9.4 under Principle B of the revised MCCG.

The Chairman of the ARMC is not the Chairman of the Board. This is in line with Practice 9.1 under the MCCG. As at 31 December 2021, Haily is in compliance with Practice 1.4 of the MCCG whereby the Chairman of the Board, Haji Mohd Jaffar Bin Awang (Ismail) is not a member of the ARMC.

The Chairman of the Board was a member of the ARMC from 2 September 2020 until 24 November 2021.

With the issuance of the MCCG by the SC on 28 April 2021, the Board at its meeting held on 24 November 2021, approved the re-organisation of the ARMC to be in line with Practice 1.4 of the MCCG. Accordingly, as an Independent Non-Executive Director, Ms Poh Boon Huwi who was newly appointed to the Board was appointed as a member of the ARMC in place of Haji Mohd Jaffar Bin Awang (Ismail), who resigned as a member of ARMC in line with Practice 1.4 of the MCCG.

The ARMC comprises the following Directors during the FYE 2021 and as at the date of this report:

Name of ARMC Members	Designation	Directorate
Ong Kheng Swee	Chairman	Independent Non-Executive Director
Tan Sui Huat	Member	Senior Independent Non-Executive Director
Haji Mohd Jaffar Bin Awang (Ismail) *Resigned on 24 November 2021*	Member	Independent Non-Executive Chairman
Poh Boon Huwi *Appointed on 24 November 2021*	Member	Independent Non-Executive Director

ATTENDANCE OF MEETINGS

The ARMC met four (4) times during the FYE 2021. The attendance details of each member of the ARMC at these meetings are as follows: -

Name of ARMC Members	Number of Meetings Attended
Ong Kheng Swee	4 / 4
Tan Sui Huat	4 / 4
Haji Mohd Jaffar Bin Awang (Ismail) *Resigned on 24 November 2021*	4 / 4
Poh Boon Huwi *Appointed on 24 November 2021*	Not Applicable

The Board through the NC reviews the terms of office of the ARMC members and assesses the performance of the ARMC and its members through an annual Board's Committee effectiveness evaluation. The Board is satisfied that the ARMC and its members discharged their functions, duties and responsibilities in accordance with the ARMC's Terms of Reference.

TERMS OF REFERENCE

The Terms of Reference of the ARMC are made available on the Company's website at www.haily.my.

MEETINGS

The ARMC shall meet at least four (4) times in a year. The Chairman of the ARMC may call at any time for any additional meetings at the Chairman's discretion. The External Auditors ("**EA**") may request a meeting if they consider that one is necessary and the Chairman upon such request will convene a meeting for the purpose. The ARMC shall meet with the EA at least once a year and as and when deemed necessary without the presence of any EDs or Management. The ARMC had convened a total of four (4) meetings during the FYE 2021.

The agenda for meetings, the relevant reports and papers were furnished to the ARMC members by the Secretary after consultation with the ARMC Chairman in advance to facilitate effective deliberation and decision making at the respective meetings. All issues were adequately deliberated during ARMC meetings before arriving at any decisions, conclusions or recommendations and brought to the attention of the Board. Minutes of each ARMC meeting were properly recorded and tabled for confirmation at the following ARMC meeting and subsequently presented to the Board for review and notation.

During its scheduled quarterly meetings, the ARMC reviewed the risk management and internal control processes (with the assistance of the outsourced internal audit function), the interim and year-end financial report, the internal and external audit plans and reports, related party transactions, annual budget and all other areas within the scope of responsibilities of the ARMC under its Terms of Reference.

The CEO, CFO, COO and Financial Controller ("**FC**") were invited to attend all ARMC meetings to facilitate direct communication and interaction as well as provide clarifications on audit, financial and operational issues. The CFO and FC had briefed the ARMC on specific issues and areas arising from the quarterly and audit reports. The COO had briefed the ARMC on the overview of the Group's on-going projects.

The representatives of the outsourced internal audit function attended the ARMC meetings to table their Internal Audit plan and reports. The EA of the Company represented by their Engagement Partner and Audit Manager leading the audit attended the ARMC meetings to present their Audit Planning Memorandum, EA Audit Report and to assist the ARMC in its review of year-end financial statements.

SUMMARY OF ACTIVITIES

During the financial year under review, the ARMC carried out the following activities in discharge of its functions and duties:-

a) Financial Reporting

In overseeing and discharging its responsibilities in respect of financial reporting, the ARMC:

i. Reviewed the financial positions, quarterly interim financial reports and announcements for the respective financial quarters prior to submission to the Board for consideration and approval. The Unaudited Interim Financial Report for the 1st Quarter ended 31 March 2021 was tabled at the ARMC meeting held in July 2021 prior to the listing of the Company on the ACE Market of Bursa Securities on 21 July 2021. Whereas, the Unaudited Interim Financial Reports for the 2nd, 3rd and 4th Quarters ended 30 June 2021, 30 September 2021 and 31 December 2021 respectively were tabled at the ARMC meetings held on 25 August 2021, 24 November 2021 and 23 February 2022 respectively. In reviewing these unaudited interim financial reports, the ARMC ensured that these reports were prepared in compliance with the Malaysian Financial Reporting Standard ("**MFRS**") and also took into consideration Rule 9.22 including Appendix 9B of the ACE LR of Bursa Securities;

SUMMARY OF ACTIVITIES Cont'd

a) Financial Reporting Cont'd

In overseeing and discharging its responsibilities in respect of financial reporting, the ARMC: Cont'd

ii. Reviewed the Audited Financial Statements for the FYE 2020 and FYE 2021 ("**AFSs**") on 30 March 2021 and 30 March 2022 respectively. In reviewing these AFSs, the ARMC ensured that these AFSs were prepared in compliance with the MFRS and the requirements of the Companies Act 2016 in Malaysia.

iii. The ARMC had on 30 March 2022 received assurance from the CEO, being highest ranking executive in the Company and the CFO, being the person primarily responsible for the management of the financial affairs that the Group's risk management and internal control systems have operated adequately and effectively in all material aspects to meet the Group's objectives during the financial year under review before recommending the Statement to the Board.

b) External Audit

i. On 24 November 2021, the ARMC reviewed the EA's scope of work and Audit Plans for the FYE 2021 prior to the commencement of audit. The External Auditors had also declared their independence in relation to their audit for the FYE 2021 to the ARMC.

ii. The ARMC conducted two (2) private meetings with the EA without the presence of the EDs and the Management on 24 November 2021 and 30 March 2022. During these private sessions, the EA conveyed that there were no areas of major concerns that warranted escalation to the Board and they had received full co-operation from the Management during their audit.

iii. On 23 February 2022, the ARMC reviewed the EA's Audit Committee Memorandum in relation to the EA's findings from the on-going audit of the financial statements for the FYE 2021 of the Group.

iv. On 30 March 2022, the ARMC carried out an assessment of the performance, suitability, objectivity and independence of Baker Tilly Monteiro Heng PLT ("**BTMH**"), based on an assessment questionnaire which took into consideration assessment criteria such as the quality of services, sufficiency of resources, adequate resources and trained professional staff assigned to the audit. BTMH also declared their independence to the ARMC as part of these procedures. The ARMC has been generally satisfied with the independence, performance and suitability of BTMH based on the assessment and are recommending to the Board and shareholders for approval for the re-appointment of BTMH as Auditors of the Company for the FYE 2022. The Board at its meeting held on 30 March 2022 had approved the ARMC's recommendation, to re-appoint BTMH as Auditors of the Company for the FYE 2022, subject to the shareholders' approval to be sought at the forthcoming 2nd AGM.

c) Internal Audit

i. On 25 August 2021 and 24 November 2021, the ARMC reviewed the Internal Audit Plan for the FYE 2021 and FYE 2022 presented by the outsourced internal audit function to ensure key business risk and processes identified in the Registry of Risk were adequately identified and covered in the audit plan before recommendation to the Board for approval.

ii. On 24 November 2021, the ARMC reviewed the Internal Audit Report in relation to the internal control review of the Project and Site Management of Haily Construction and considered the internal audit findings and the Management's action plan to address the issues and the target date of implementation as set out in the Internal Audit Report.

iii. The ARMC conducted one (1) private meeting with the outsourced internal audit function without the presence of the EDs and the Management on 24 November 2021. During the private session, the outsourced internal audit function conveyed that there was no restriction to the IA's scope of work.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT CONT'D

SUMMARY OF ACTIVITIES Cont'd

c) Internal Audit Cont'd

iv. The ARMC carried out an assessment of the performance of the internal audit function by considering and reviewing the internal audit function's qualifications and experience, resources availability and competency, independence, scopes and functions of the internal audit function and collaboration with External Auditors. The ARMC concluded that the internal audit function had performed and carried out their work professionally and met the expectations of the ARMC. The ARMC were all in favour of the internal audit function continuing and performing their role according to the approved Internal Audit Plan.

d) Related Party Transaction

The ARMC reviewed the Related Party Transactions at its meeting held on 30 March 2021, 14 July 2021, 25 August 2021, 24 November 2021 and 23 February 2022 respectively together with the Management.

e) Sustainability and Risk Management

i. On 24 November 2021, the ARMC reviewed the Sustainability Policy, the Terms of Reference for the SRMC in line with the establishment of the SRMC, a sub-committee of the ARMC with its own Terms of Reference and reporting its recommendations to the Board. The principal responsibility of the SRMC is to drive the sustainability governance of the Group. The Board had also delegated the duty of identification, assessment and management of key business risks and opportunities to the SRMC. The SRMC is led by the CEO.

ii. The ARMC had on 23 February 2022 reviewed the Registry of Risk together with the Risk Matrix and was briefed by the Management on the risk factors, impacts and the proposed risk control actions to be undertaken before recommending the same to the Board for approval.

f) Corporate Governance Practices

i. On 23 February 2022, the ARMC reviewed the following Policies and Terms of Reference in conjunction with the review of the CG practices with reference to the revised MCCG and the recent amendment to the ACE LR by Bursa Securities on 19 January 2022 as well as the 4th Edition of Bursa Securities Corporate Governance Guide issued on 15 December 2021 before recommending to the Board for approval:
   - Anti-Bribery and Anti-corruption Policy;
   - Whistle-blowing Policy;
   - Policy on Related Party Transaction; and
   - Terms of Reference for ARMC.

ii. Apart from discharging its duties with respect to the internal and external audits as well as financial reporting, the ARMC also reviewed the disclosures made in respect of the financial results and Annual Report of the Company in line with the principles set out in the MCCG, other applicable laws, rules, directives and guidelines. In addition, before finalising the various governance disclosures in the Annual Report, the ARMC together with all other Board Members and the Management had reviewed the Management Discussion and Analysis, Sustainability Statement, Corporate Governance Overview Statement, Corporate Governance Report, ARMC Report, Statement on Risk Management and Internal Control together with other compliance disclosures.

INTERNAL AUDIT FUNCTION

The internal audit function is outsourced to an independent professional services firm, NeedsBridge Advisory Sdn Bhd, who, through the ARMC, provides the Board with much of the assurance it requires in respect of the adequacy and effectiveness of the Group's system on the risk management and internal control. To uphold the professional firm's independence and objectivity, the outsourced internal audit function reports directly to the ARMC.

INTERNAL AUDIT FUNCTION Cont'd

During the FYE 2021, the outsourced internal audit function carried out audits in accordance with the internal audit plan approved by the ARMC and the Board. The internal audit plan was developed taking into consideration the Group's Registry of Risk and other risk events identified by the internal audit function relevant to the audit objectives with the input from the Management.

The costs incurred for the outsourced internal audit function and the internal control reviewer ("**ICR**") for the follow up review of outstanding improvement areas in relation to ICR for the FYE 2021 are as follow:

Internal Audit Function	: RM18,630
ICR Follow Up	: RM16,255

The detailed elaboration on the Group's internal control system and its effectiveness is set out in the Statement of Risk Management and Internal Control on page 51 to 57 of this Annual Report and the Group's sustainability initiatives is elaborated in detail in the Sustainability Statement on page 26 to 31 of this Annual Report.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Rule 15.26(b) and Guidance Note 11 of the ACE LR of Bursa Securities ("**Listing Requirements**") in relation to the requirement to prepare a statement about the state of risk management and internal control of the listed issuer as a group, and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("**the Guidelines**") and the MCCG, the Board of Haily is pleased to present the statement on the state of risk management and internal control of the Group for the FYE 2021. The scope of this Statement includes the Company and its operating subsidiaries.

BOARD RESPONSIBILITIES

The Board affirms its overall responsibility for maintaining a sound governance, risk management and internal control system and for reviewing their adequacy and effectiveness to provide assurance on the achievement of the Group's mission, vision, core values, strategies and business objectives as well as to safeguard all its stakeholders' interests and protecting the Group's assets. The Board has established the risk appetite and tolerance of the Group within which the Board expect the management to operate based on the risk capacity, strategies, internal and external business context, business nature and corporate lifecycle. The Board is committed to the establishment and maintenance of an appropriate control environment that is embedded into the corporate culture, strategies and processes of the Group as well as to articulate the importance of adequate and effective risk management and internal control system. The Board delegates the duty of identification, assessment and management of key business risks and opportunities to the SRMC, led by CEO while the ARMC, through its terms of reference approved by the Board, is delegated with the duty to review the adequacy and effectiveness of risk management and internal control system of the Group and to provide assurance to the Board on the adequacy and effectiveness of such risk management and internal control system. Through the ARMC, the Board is kept informed on all significant risks and control issues brought to the attention of the ARMC by the SRMC, Sustainability and Risk Management Working Group ("**SRMWG**"), the internal audit function and the external auditors.

The system of internal control covers, inter-alia, control environment, risk assessment, control activities, information and communication and monitoring activities. However, in view of the limitations that are inherent in any system of internal control, the system of internal control is designed to manage, rather than to eliminate, the risk of failure to achieve the Group's business objectives. Accordingly, the system of internal control can only provide reasonable and not absolute assurance against material misstatement of losses and fraud.

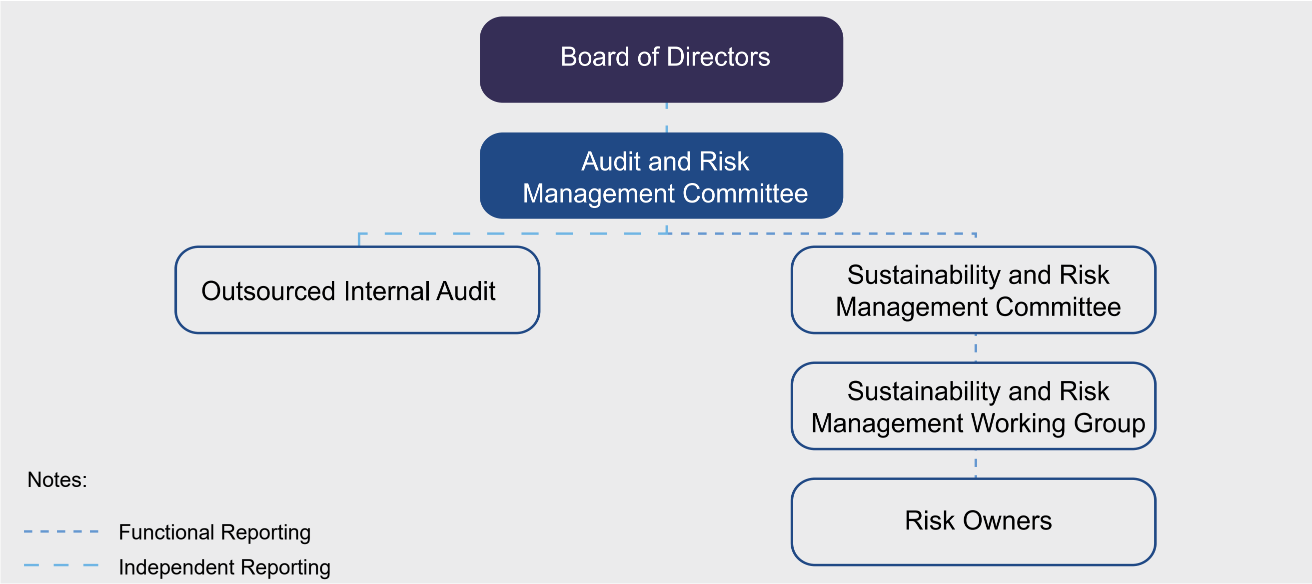
RISK MANAGEMENT

The Board recognises risk management as an integral part of system of internal control and good management practice in the pursuits of its mission, vision, core values, strategies and business objectives. The Board maintains an on-going commitment for identifying, analysing, evaluating and managing significant risks and opportunities faced by the Group systematically during the financial year under review. The Board has put in place a formal Risk Management Handbook, as the governance structure, framework and processes for the enterprise-wide risk management, in order to embed the risk management practice into all levels of the Group and to manage key business risks faced by the Group as well as to optimise key business opportunities available to the Group adequately and effectively as second-line-of-defence. The duties for the identification, evaluation and management of the key business risks and opportunities are delegated to the SRMC which consist of CEO, CFO, COO and Assistant Contract Managers and SRMC is further supported by SRMWG which comprises representatives from the various departments.

The principles, practices and processes of Risk Management Handbook established by the Board are, in all material aspects, guided by the updated Enterprise Risk Management-Integrated Framework (2017) by Committee of Sponsoring Organizations of the Treadway Commission ("**COSO**").

RISK MANAGEMENT Cont'd

The Risk Management Handbook established lays down the objectives and processes defined by the Board with formalised governance structure of the risk and opportunity management activities of the Group as follows:-



Clear roles and responsibilities of the Board, the ARMC, SRMC, SRMWG, Risk Owners and outsourced Internal Auditors are defined in the Risk Management Handbook and the terms of reference. The roles and responsibilities of the SRMC and SRMWG in relation to risk management are as follows:-

<u>SRMC</u>

- Provide appropriate advice and recommendations on the material risk issues, and ensure that risk management strategies, framework, policies, processes, tolerance and risk appetite are in place for the timely identification, mitigation and management of such key risks which may have material impact on the Group and provide overall direction and decisions on sustainability governance, strategy, initiatives, performance and processes;
- Review the Group Risk Profile on a periodic basis and ensure that significant risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner; and
- Review and assess the adequacy and effectiveness of the risk management structure, approved risk policies, processes, and support system on a periodic basis and ensure that significant risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner and to recommend such changes as may be deemed necessary to the ARMC.

<u>SRMWG</u>

- Establish the risk appetite and risk tolerance levels as well as other corporate risk policies;
- Provide overall leadership and vision for enterprise risk management including addressing change management requirements;
- Establish integrated risk management across separate business units in the organisation;
- Oversee the risk-taking activities of the organization including organic and acquisition growth opportunities; and
- Develop risk management policies and quantifying enterprise-wide risk appetite.

In addition, the Risk Owners, within their area of expertise and delegated with operational responsibilities with the following roles and responsibilities:-

- Ultimately accountable for business/risk management;
- Execute risk policies and standards, risk appetite and tolerances, and reporting processes;
- Establish and implement risk and compliance activities; and
- Accountable for on-going risk monitoring and oversight.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

RISK MANAGEMENT Cont'd

Systematic risk management process is stipulated in the Risk Management Handbook, whereby each step of the risk and opportunity identification, evaluation, control identification, treatment and control activities are laid down for application by the SRMWG and Risk Owners. Risk assessments are guided by the likelihood rating and impact rating established by the Board based on the risk appetite and tolerance acceptable by the Board. During the risk management process, Registry of Risk was updated by SRMWG and respective Risk Owner, with relevant key risks identified and rated based on the agreed upon likelihood and impact rating. Subsequently the updated Registry of Risk was reviewed by the SRMC before they were reported to the ARMC. The Registry of Risk is primarily used for the identification of risk factors of key risk areas which is above the risk appetite and tolerance of the Group that require the Management and the Board's immediate attention and risk treatment as well as for future risk monitoring. As an important risk monitoring mechanism, the Management is scheduled to review the Registry of Risk and assess emerging risks and opportunities identified at strategic and operational level on annual basis or on more frequent basis if circumstances required and to report to the ARMC on the results of the review and assessment.

During the financial year under review and up to the date of this statement, the SRMWG conducted a review and assessment exercise on existing risk factors within key risks areas, ranging from business environment (including corporate liability risk on corruption), corporate, regulatory, financial, marketing, project management, human capital, environment health and safety and management information system of the Company and its operating subsidiaries and incorporated into Registry of Risk for on-going monitoring. The Registry of Risk (with proposed risk control actions for risks mitigation, likelihood and impact rating) was tabled to the ARMC for review and deliberation on its adequacy and effectiveness and thereafter reported the results of review to the Board, which assumes the primary responsibility of the Group's risk management.

At strategic level, business plans, business strategies and investment proposals with risks and opportunities consideration are formulated by the Senior Management and/or EDs and presented to the Board for review and deliberation to ensure proposed plans and strategies are in line with the Group's risk appetite and tolerance approved by the Board. In addition, specific strategic and key operational risks and opportunities are highlighted and deliberated by the ARMC and/or the Board during the review of the financial performance of the Group in the scheduled meetings.

As the first-line-of-defence, respective Risk Owners are responsible for managing the risks under their responsibilities. Risk Owners are responsible for effective and efficient operational monitoring and management by way of maintaining effective internal controls and executing risk and control procedures on a day-to-day basis. Changes in key operational risks or emergence of new key business risks are identified through daily operational management and controls and review of financial and operational reports by respective level of Management generated by internal management information system and supplemented by external data and information collected. Respective Owners are responsible to assess the changes to the existing operational risks and emerging risks and to formulate and implement effective controls to manage these risks. Critical material risks are highlighted to the SRMC for the final decision on the formulation and implementation of effective internal controls and reported to the ARMC and the Board by CEO and/or CFO respectively.

The monitoring of the risk management by the Group is enhanced by the internal audits carried out by the internal audit function with specific audit objectives and business risks identified for each internal audit cycle based on the internal audit plan reviewed by ARMC and approved by the Board.

The above process has been practiced by the Group for the financial year under review and up to the approval date of this statement.

Please refer to the Management Discussion and Analysis for the key risks faced by the Group.

INTERNAL CONTROL SYSTEM

The key features of the Group's internal control system are made up of five(5) core components, i.e. Control Environment, Risk Assessment, Control Activities, Information and Communication and Monitoring Activities with principles representing the fundamental concepts associated with each component are as follows:-

- **Board of Directors/Board Committees**

  The role, functions, composition, operation and processes of the Board are guided by a formal board charter whereby roles and responsibilities of the Board, the Chairman of the Board, the CEO, the EDs, and Senior Independent Non-Executive Director are specified to preserve the independence of the Board from the Management and to improve oversight roles of the Board.

  Board Committees (i.e. ARMC, NC, and RC) are established to carry out duties and responsibilities delegated by the Board, governed by written terms of reference.

  Meetings of Board of Directors and the respective Board Committees are carried out on scheduled basis to review the performance of the Group, from financial and operational perspectives. Business plans and business strategies are proposed by the CEO for the Board's review and approval, after taking into risk consideration and responses.

- **Integrity and Ethical Value**

  The tone from the top on integrity and ethical value are enshrined in a formal Code of Conduct and Business Ethics Policy last reviewed and approved by the Board on 23 February 2022. This formal code forms the foundation of integrity and ethical value for the Group.

  Integrity and ethical value expected from the employees are incorporated in the Employees Handbook, whereby the ethical behaviours expected from the employees are stated. Code of conduct of the employees in carrying out their duties and responsibilities assigned are also established and formalised in the Employee Handbook.

  To further enhance the ethical value throughout the Group, a formal Anti-Bribery and Anti-Corruption Policy has been put in place by the Board to prevent and manage the risk of bribery and conflict of interest within the Group supplemented by a Whistle-blowing Policy for all stakeholders to raise genuine concerns about possible improprieties in matters of financial reporting, compliance and other malpractices at the earliest opportunity.

  Code of conduct and business ethics are monitored via control activity monitoring mechanism implemented with non-compliances detected in a timely manner and investigated with appropriate corrective action, including but not limited to disciplinary actions, taken to rectify non-compliance.

- **Organisation Structure, Accountability and Authorisation**

  The Group has a well-defined organisation structure in place with clear lines of reporting and accountability with the Board assuming the oversight roles. The Group is committed to employ suitable and qualified staff so that the appropriate level of authorities and responsibilities can be delegated while accountability of performance and controls are assigned accordingly based on staff competency to ensure operational efficiency. The establishment and communication of job responsibilities and accountability of performance and controls for key positions are further enhanced via the job descriptions established by the Management.

  The authorisation requirement of the key internal control points of key business processes are stated in the Delegation and Limit of Authorities and respective policies and procedures.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

INTERNAL CONTROL SYSTEM Cont'd

- **Performance Measurement**

  Annual Budget and forecasts for the Group are presented to ARMC for review and approved by the Board on an annual basis. The actual performances are closely monitored against budgets to identify significant variances for prompt actions to be taken.

- **Succession Planning and Human Resource**

  The Board is committed to enhancing the skills, knowledge and competency of employees for personal development and corporate excellence. Succession planning process is in place to ensure key personnel within the Group are supported by competent second-in-line to reduce the impact of disruptions in key personnel to the minimum possible.

  The Human Resource Policy and Employees Handbook ensures the Group's ability to operate in an effective and efficient manner by employing and retaining adequate competent employees possessing necessary knowledge, skill and experience (which are enhanced by continuous trainings thereafter) to carry out their duties and responsibilities effectively and efficiently.

  Performance appraisal which forms the basis of the incentives and promotion, and training needs assessment are carried out for all levels of staff to identify performance gaps, training needs and to assist in talent development.

- **Risk Assessment and Control Activities**

  Risk assessment is performed by Risk Owners at scheduled interval or when there is change in internal and/or business context and is guided by the Risk Management Handbook. Internal controls, as risk responses, are formulated and put in place to mitigate risks identified to a level acceptable by the Board.

  The Group's policies and procedures are regularly reviewed and updated to ensure it is relevant to support the Group's business activities in achieving the Group's business objectives.

- **Information and Communication**

  At operational level, clear reporting lines are established across the Group and operation reports are prepared for dissemination of critical information to relevant personnel for effective communication throughout the Group for timely decision making and execution in pursuit of the business objectives. Matters that require the Board and the Senior Management's attention are highlighted for review, deliberation, and decision making on a timely basis.

  The Group puts in place effective and efficient information and communication infrastructures, communication channels (i.e. computerised systems, secured intranet, electronic mail system and modern telecommunication) and processing system, so that operation data and external data can be collected and processed into relevant and adequate information and communicated timely, reliably and securely to dedicated personnel within the Group for decision making and for communication with relevant external stakeholders. Apart from that, relevant financial and management reports are generated for different levels of management and employee for their review and decision making. The management and board meetings are held regularly for effective two-way communication of information at different level of Management and the Board.

  Communication of policies and procedures of the Group are conducted via written format, notice boards, electronic mail system and in-house trainings by respective risk or control owners.

- **Monitoring and Review**

  As the second-line-of-defence and at the operational level, monitoring activities are embedded into the policies and procedures established by the Management with incidents of non-compliance and exceptions are noted and escalated to appropriate level of management. Periodic management meetings are held to discuss and review budgets, financial and operational performance of key divisions/departments of the Group.

INTERNAL CONTROL SYSTEM Cont'd

- **Monitoring and Review** Cont'd

  Apart from the above, quarterly financial statements which contain key financial results are presented to the Board for their review. Operational and financial Management reports are also presented by the COO and Financial Controller to the ARMC for its review and reporting of the same to the Board to assess the operational performance, business strategies, future prospect and external business conditions.

  In addition to the internal audits, significant control issues are highlighted by the External Auditors as part of their statutory audits and the monitoring of compliance with ISO certification carried out by external ISO auditors as well as surveillance audit by independent consultants engaged by the Group.

INTERNAL AUDIT FUNCTION

The review of the adequacy and effectiveness of the Group's risk management and internal control system is outsourced to an independent professional services firm, NeedsBridge Advisory Sdn Bhd, who, through the ARMC, provides the Board with much of the assurance it requires in respect of the adequacy and effectiveness of the Group's system on the risk management and internal control. To uphold the professional firm's independence and objectivity, the outsourced internal audit function reports directly to the ARMC.

The audit engagement of the outsourced internal audit function is governed by the engagement letter and Internal Audit Charter approved by the Board during the financial year under review. Key terms of the engagement include purpose and scope of works, accountability, independence, the outsourced internal audit function's responsibilities, the Management's responsibilities, the authority accorded to the outsourced internal audit function, limitation of scope of works, confidentiality, proposed fees and engagement team.

The internal audits are carried out, in all material aspects, in accordance with the International Professional Practices Framework ("**IPPF**"), i.e. Mission, Core Principles for the Professional Practice of Internal Auditing, Code of Ethics and the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors Global. The engagement director, Mr. Pang Nam Ming, is a Certified Internal Auditor and Certification in Risk Management Assurance accredited by the Institute of Internal Auditors Global and a professional member of the Institute of Internal Auditors Malaysia. As a Certified Internal Auditor accredited by Institute of Internal Auditors, the engagement director is required to declare the compliance of the Standards to Institute of Internal Auditors during his renewal as Certified Internal Auditor. During the financial year under review, the resources allocated to the fieldworks of the internal audit by the outsourced internal audit function were one (1) senior manager, assisted by at least one (1) senior consultant and one (1) consultant per one (1) engagement with oversight performed by the director.

The risk-based internal audit plan in respect of the FYE 2021 was drafted by the outsourced internal audit function, after taking into consideration the existing and emerging key business risks identified in the Registry of Risk and Senior Management's opinion and was reviewed and approved by the ARMC prior to execution. Each internal audit cycle within the internal audit plan is specific with regard to audit objective, key risks to be assessed and scopes of the internal control review.

As the third-line-of-defence, the internal control review procedures performed by the outsourced internal audit function are designed to understand, document and evaluate risks and related controls in order to determine the adequacy and effectiveness of governance, risk structures, control structures and control processes. The outsourced internal audit function shall provide recommendations formulated based on the root cause(s) of the internal audit observations. The internal audit procedures applied principally consist of process evaluations through interviews with relevant personnel involved in the process under review, review of the standard operating procedures and/or process flows provided and observations of the functioning of processes against the results of interviews, documented standard operating procedures and/or process flows. Thereafter, testing of controls for the respective audit areas through the review of the samples selected based on sample sizes calculated in accordance to predetermined formulation, subject to the nature of testing and verification of the samples.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL CONT'D

INTERNAL AUDIT FUNCTION Cont'd

During the FYE 2021, based on the internal audit cycle reviewed by ARMC and approved by the Board for execution, the outsourced internal audit function had conducted reviews for project management for Haily Construction after it was listed on the ACE Market of Bursa Securities on 21 July 2021. Aside from the above internal audit conducted, follow up review were performed by an independent internal control reviewer on the outstanding improvement areas highlighted in the ICR that were undertaken as part of the listing exercise.

Upon the completion of the internal audit fieldwork during the financial year, internal audit report was presented to the ARMC during its scheduled meeting. During the presentation, the internal audit findings, priority level, risk/ potential implication, internal audit recommendations, management responses/action plans, person-in-charge and date of implementation were presented and deliberated with the members of the ARMC. This is to enable the ARMC to form an opinion on the adequacy and/or effectiveness of the governance, risk and control of the business process under review.

In addition, prior to the engagement, the outsource internal audit function presented its staff strength, qualification and experience for the ARMC to review during its meeting.

The costs incurred for the outsourced internal audit function and the internal control reviewer for the follow up review of outstanding improvement areas in relation to ICR for the FYE 2021 are as follow:

Internal Audit Function	: RM18,630
ICR Follow Up	: RM16,255

ASSURANCE PROVIDED BY THE CEO AND THE CFO

In line with the Guidelines, the CEO, being highest ranking executive in the Company and the CFO, being the person primarily responsible for the management of the financial affairs have provided assurance to the Board that the Group's risk management and internal control systems have operated adequately and effectively, in all material aspects, to meet the Group's objectives during the financial year under review.

OPINION AND CONCLUSION

Based on the review of the risk management results and process, results of the internal audit activities, monitoring and review mechanism stipulated above, assurance provided by the CEO and the CFO, the Board is of the opinion that the risk management and internal control systems are operating satisfactorily and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's Annual Report. The Board continues to take pertinent measures to sustain and, where required, to improve the Group's risk management and internal control system in meeting the Group's business objectives.

The Board is committed towards maintaining an effective risk management and internal control system throughout the Group and where necessary put in place appropriate plans to further enhance the respective system.

ASSURANCE PROVIDED BY EXTERNAL AUDITORS

Pursuant to Rule 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement on Risk Management and Internal Control. Their review was performed in accordance with Audit and Assurance Practice Guide 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report, issued by the Malaysian Institute of Accountants. Based on their review, nothing has come to their attention that causes them to believe this Statement is not prepared, in all material aspects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Public Listed Companies and Practices 10.1 and 10.2 of the Malaysian Code on Corporate Governance 2021 to be set out, nor is factually incorrect.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS RAISED FROM THE LISTING EXERCISE

The Company was listed on the ACE Market of Bursa Securities on 21 July 2021 ("**Listing**"). In conjunction with the Listing, the Company undertook a public issue of 30,000,000 new ordinary shares at an issue price of RM0.68 per share, raising gross proceeds of RM20,400,000 ("**IPO Proceeds**").

The status of the utilisation of the IPO Proceeds as at 21 March 2022 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	-	(1,639)	2,561	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
Gross proceeds	**20,400**	**-**	**(11,705)**	**8,695**	

Notes:

(1) The actual listing expenses were lower than the estimated sum, hence the surplus was utilised for working capital 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.

2. AUDIT AND NON-AUDIT FEES

The fees to the External Auditors in relation to the audit and non-audit services rendered to the Company and the Group for the FYE 2021 were as follows:

	Company RM	Group RM
Audit fees	29,500	90,000
Non-audit fees	-	11,660
Total	**29,500**	**101,660**

ADDITIONAL COMPLIANCE INFORMATION CONT'D

3. MATERIAL CONTRACTS INVOLVING THE INTEREST OF THE DIRECTORS, CHIEF EXECUTIVE AND MAJOR SHAREHOLDERS

Save as disclosed in the audited financial statements for the FYE 2021, there were no material contracts (not being contracts entered into in the ordinary course of business) either subsisting as at the financial year end or entered into since the end of the previous financial period/year by the Company and its subsidiaries involving the interest of the directors, chief executive and major shareholders.

4. EMPLOYEE SHARE SCHEME

The Company did not issue any Employees Share Scheme during the FYE 2021.

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT")

There were no recurrent related party transactions entered by the Group during the FYE 2021.

6. PROPERTIES OWNED BY THE GROUP

There were no real properties owned by the Group during the FYE 2021.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

The Directors are required under the Companies Act 2016 ("the Act") to prepare financial statements that give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results and cash flows for the financial year then ended in accordance with the MFRSs, International Financial Reporting Standards and the Act.

In preparing the financial statements for the FYE 2021, the Directors have: -

- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent; and
- prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company maintain proper accounting records that disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company, and to detect and prevent fraud and other irregularities.

REPORTS AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are disclosed in Note 7 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM	Company RM
Net profit for the financial year, representing total comprehensive income for the financial year	6,256,819	3,080,027

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM
Single-tier interim dividend of RM0.0168 per ordinary share for the financial year ended 31 December 2021, paid on 30 August 2021	2,995,788

RESERVES OR PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and no allowance for doubtful debts were necessary.

BAD AND DOUBTFUL DEBTS (CONTINUED)

At the date of this report, the directors are not aware of any circumstances which would render it necessary to write off any bad debts or to make any allowance for doubtful debts in respect of the financial statements of the Group and of the Company.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

(ii) any contingent liabilities in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the Company issued 30,000,000 new ordinary shares at the initial public offering price of RM0.68 per ordinary share.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing ordinary shares of the Company.

During the financial year, no new issue of debentures was made by the Company.

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up the unissued shares of the Company during the financial year.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

See Tin Hai*	
Yoong Woei Yeh**	
Tan Sui Huat	
Mohd Jaffar Bin Awang (Ismail)	
See Swee Ling**	
Ong Kheng Swee	
Poh Boon Huwi	(Appointed on 24 November 2021)
See Cul Wei (Alternate director to See Tin Hai)	(Appointed on 24 November 2021)

* Director of the Company and its subsidiaries, Haily Construction Sdn. Bhd. and Haily Machinery Sdn. Bhd.

** Director of the Company and its subsidiary, Haily Construction Sdn. Bhd.

DIRECTORS (CONTINUED)

Other than as stated above, the name of the director of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report is:

Kik Siew Lee

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporation during the financial year were as follows:

Interests in the Company

	Number of ordinary shares			
	At 1 January 2021	**Bought**	**Sold**	**At 31 December 2021**
Direct interests:				
Yoong Woei Yeh	-	500,000	-	500,000
See Swee Ling	-	500,000	-	500,000
Mohd Jaffar Bin Awang (Ismail)	-	100,000	-	100,000
Ong Kheng Swee	-	100,000	-	100,000
Tan Sui Huat	-	100,000	-	100,000
Holding company				
Haily Holdings Sdn. Bhd.				
See Tin Hai	1,200,001	-	-	1,200,001
Deemed interests:				
See Tin Hai	148,320,700	120,000	(18,000,000)	130,440,700

By virtue of his interests in Haily Holdings Sdn. Bhd., the holding company, and pursuant to Section 8 of the Companies Act 2016 in Malaysia, See Tin Hai is also deemed to have interest in the ordinary shares in the Company and its related corporations to the extent the holding company has interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Note 21 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, there was no indemnity insurance coverage and insurance premium paid for the directors and officers of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 7 to the financial statements.

The available auditors' reports on the accounts of the subsidiaries did not contain any qualification.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 29 to the financial statements.

HOLDING COMPANY

The directors regard Haily Holdings Sdn. Bhd., a company incorporated in Malaysia, as the holding company of the Company.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 20 to the financial statements.

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

………………………………………..
SEE TIN HAI
Director

………………………………………..
YOONG WOEI YEH
Director

Date: 30 March 2022

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	4,885,018	4,116,750	-	-
Goodwill	6	-	117,583	-	-
Investment in a subsidiary	7	-	-	41,529,768	41,529,768
Other investments	8	2,272,278	1,817,728	-	-
Total non-current assets		**7,157,296**	**6,052,061**	**41,529,768**	**41,529,768**
Current assets					
Current tax assets		17,161	579	-	-
Trade and other receivables	9	56,853,734	73,910,889	9,879,777	127,347
Contract assets	10	39,013,696	29,677,709	-	-
Cash and short-term deposits	11	30,191,364	27,154,543	9,889,374	100
Total current assets		**126,075,955**	**130,743,720**	**19,769,151**	**127,447**
TOTAL ASSETS		**133,233,251**	**136,795,781**	**61,298,919**	**41,657,215**
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	12	61,254,988	41,529,868	61,254,988	41,529,868
Reorganisation reserve	13	(40,029,768)	(40,029,768)	-	-
Retained earnings/ (Accumulated losses)		53,734,780	50,473,749	(67,297)	(151,536)
TOTAL EQUITY		**74,960,000**	**51,973,849**	**61,187,691**	**41,378,332**

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 CONT'D

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Non-current liabilities					
Borrowings	**14**	1,032,762	1,102,653	-	-
Deferred tax liabilities	**15**	195,196	186,747	-	-
Total non-current liabilities		**1,227,958**	**1,289,400**	**-**	**-**
Current liabilities					
Borrowings	**14**	948,282	6,468,059	-	-
Current tax liabilities		484,571	1,054,225	1,518	-
Trade and other payables	**16**	55,375,853	73,050,244	109,710	278,883
Contract liabilities	**10**	236,587	2,960,004	-	-
Total current liabilities		**57,045,293**	**83,532,532**	**111,228**	**278,883**
TOTAL LIABILITIES		**58,273,251**	**84,821,932**	**111,228**	**278,883**
TOTAL EQUITY AND LIABILITIES		**133,233,251**	**136,795,781**	**61,298,919**	**41,657,215**

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		Group		Company	
	Note	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	21.2.2020 to 31.12.2020 RM
Revenue	17	124,066,492	166,132,172	3,500,000	-
Cost of sales		(102,151,249)	(138,647,785)	-	-
Gross profit		**21,915,243**	**27,484,387**	**3,500,000**	**-**
Other income	18	537,810	459,286	70,172	-
Administrative expenses		(12,999,418)	(13,228,298)	(475,526)	(151,536)
Other operating expenses		(117,583)	-	-	-
Operating profit/(loss)		**9,336,052**	**14,715,375**	**3,094,646**	**(151,536)**
Finance costs	19	(251,662)	(212,081)	-	-
Profit/(Loss) before tax	20	**9,084,390**	**14,503,294**	**3,094,646**	**(151,536)**
Income tax expense	22	(2,827,571)	(4,059,338)	(14,619)	-
Profit/(Loss) for the financial year/period, representing total comprehensive income/(loss) for the financial year/period		**6,256,819**	**10,443,956**	**3,080,027**	**(151,536)**
Profit/(Loss) attributable to:					
Owners of the Company		6,256,819	10,443,956	3,080,027	(151,536)
Non-controlling interest		-	-	-	-
		6,256,819	**10,443,956**	**3,080,027**	**(151,536)**
Total comprehensive income/(loss) attributable to:					
Owners of the Company		6,256,819	10,443,956	3,080,027	(151,536)
Non-controlling interest		-	-	-	-
		6,256,819	**10,443,956**	**3,080,027**	**(151,536)**
Earnings per share (RM)					
- Basic and diluted	23	3.87	16.06		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Attributable to owners of the Company			
		Share capital RM	Reorganisation reserve RM	Retained earnings RM	Total equity RM
Group					
At 1 January 2021		**41,529,868**	**(40,029,768)**	**50,473,749**	**51,973,849**
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income for the financial year		-	-	6,256,819	6,256,819
Transactions with owners					
Shares issued pursuant to the public issue	**12**	20,400,000	-	-	20,400,000
Shares issuance expenses		(674,880)	-	-	(674,880)
Dividends paid on shares	**24**	-	-	(2,995,788)	(2,995,788)
At 31 December 2021		**61,254,988**	**(40,029,768)**	**53,734,780**	**74,960,000**

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 CONT'D

	Note	← Attributable to owners of the Company →			
		Share capital RM	Reorganisation reserve RM	Retained earnings RM	Total equity RM
Group					
At 1 January 2020 (unaudited)		**1,500,000**	**-**	**42,529,793**	**44,029,793**
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income for the financial year		-	-	10,443,956	10,443,956
Transactions with owners					
Share issued upon incorporation		1	-	-	1
Issue of ordinary shares	**12**	99	-	-	99
Shares issued for acquisition of a subsidiary	**12**	41,529,768	(41,529,768)	-	-
Reorganisation reserve		(1,500,000)	1,500,000	-	-
Dividends paid on shares	**24**	-	-	(2,500,000)	(2,500,000)
At 31 December 2020		**41,529,868**	**(40,029,768)**	**50,473,749**	**51,973,849**

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 CONT'D

	Note	← Attributable to owners of the Company → Share capital RM	Accumulated losses RM	Total equity RM
Company				
At 21 February 2020 (date of incorporation)		**1**	**-**	**1**
Total comprehensive loss for the financial period				
Loss for the financial period, representing total comprehensive loss for the financial period		-	(151,536)	(151,536)
Transactions with owners				
Issue of ordinary shares	**12**	99	-	99
Shares issued for acquisition of a subsidiary	**12**	41,529,768	-	41,529,768
At 31 December 2020		**41,529,868**	**(151,536)**	**41,378,332**
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year		-	3,080,027	3,080,027
Transactions with owners				
Shares issued for the public issue	**12**	20,400,000	-	20,400,000
Shares issuance expenses	**12**	(674,880)	-	(674,880)
Dividends paid on shares	**24**	-	(2,995,788)	(2,995,788)
At 31 December 2021		**61,254,988**	**(67,297)**	**61,187,691**

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 1.1.2021 to 31.12.2021 RM	Group 1.1.2020 to 31.12.2020 RM	Company 1.1.2021 to 31.12.2021 RM	Company 21.2.2020 to 31.12.2020 RM
Cash flows from operating activities					
Profit/(Loss) before tax		9,084,390	14,503,294	3,094,646	(151,536)
Adjustments for:					
Depreciation of property, plant and equipment	5	1,706,745	1,369,283	-	-
Gain on disposal of property, plant and equipment	18	(100)	(7,413)	-	-
Impairment losses on goodwill	20	117,583	-	-	-
Interest income	18	(255,598)	(150,382)	(70,172)	-
Covid-19 related rent concession income	18	-	(3,330)	-	-
Finance costs	19	251,662	212,081	-	-
Operating profit/(loss) before changes in working capital		**10,904,682**	**15,923,533**	**3,024,474**	**(151,536)**
Changes in working capital:					
Trade and other receivables		16,382,275	(1,441,442)	(560,105)	(127,347)
Contract assets		(9,335,987)	(12,954,085)	-	-
Trade and other payables		(17,674,391)	16,992,236	(29,790)	139,500
Contract liabilities		(2,723,417)	(7,621,517)	-	-
Net cash (used in)/generated from operations		**(2,446,838)**	**10,898,725**	**2,434,579**	**(139,383)**
Income tax paid		(3,405,358)	(3,190,090)	(13,101)	-
Income tax refund		-	1,042,301	-	-
Interest paid		(138,026)	(89,420)	-	-
Net cash (used in)/from operating activities		**(5,990,222)**	**8,661,516**	**2,421,478**	**(139,383)**

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 CONT'D

	Note	Group		Company	
		1.1.2021 to 31.12.2021	1.1.2020 to 31.12.2020	1.1.2021 to 31.12.2021	21.2.2020 to 31.12.2020
		RM	RM	RM	RM
Cash flows from investing activities					
Purchase of property, plant and equipment	(a)	(1,479,866)	(845,393)	-	-
Proceeds from disposal of property, plant and equipment		100	10,000	-	-
Purchase of other investments		(454,550)	(1,817,728)	-	-
Change in pledge deposits		1,152,161	(323,700)	-	-
Interest received		255,598	150,382	70,172	-
Net cash (used in)/from investing activities		**(526,557)**	**(2,826,439)**	**70,172**	**-**
Cash flows from financing activities	(b)				
Proceeds from issuance of ordinary shares		20,400,000	100	20,400,000	99
Payment of lease liabilities		(964,714)	(824,000)	-	-
Proceeds from revolving credit		-	1,000,000	-	-
Repayment of revolving credit		(1,000,000)	-	-	-
Repayment of invoice financing		-	(1,420,855)	-	-
Net changes in amount owing to subsidiary		-	-	(10,006,588)	139,383
Interest paid		(113,636)	(122,661)	-	-
Dividend paid		(2,995,788)	(2,500,000)	(2,995,788)	-
Net cash from/(used in) financing activities		**15,325,862**	**(3,867,416)**	**7,397,624**	**139,482**
Net increase in cash and cash equivalents		**8,809,083**	**1,967,661**	**9,889,274**	**99**
Cash and cash equivalents at the beginning of the financial year/period		21,315,005	19,347,344	100	1
Cash and cash equivalents at the end of the financial year/period	(c)	**30,124,088**	**21,315,005**	**9,889,374**	**100**

(a) Purchase of property, plant and equipment:

	Note	Group 1.1.2021 to 31.12.2021 RM	Group 1.1.2020 to 31.12.2020 RM
Additions of property, plant and equipment	5	2,475,013	1,707,419
Financed by way of lease arrangements		(995,147)	(862,026)
Cash payments on purchase of property, plant and equipment		1,479,866	845,393

During the financial year, the Group had total cash outflows for leases of RM1,068,559 (2020: RM982,958).

(b) Reconciliation of changes in liabilities arising from financing activities are as follows:

		Cash flows		Non-cash		
	1.1.2021 RM	Advances/ Proceeds RM	Repayments RM	Drawdown/ Acquisition RM	Rent concession RM	31.12.2021 RM
Group						
Lease liabilities	1,950,611	-	(964,714)	995,147	-	1,981,044
Revolving credit	1,000,000	-	(1,000,000)	-	-	-
	2,950,611	-	(1,964,714)	995,147	-	1,981,044
Company						
Amount owing to/ (by) subsidiaries	139,383	(10,563,213)	556,625	-	-	(9,867,205)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 CONT'D

(b) Reconciliation of changes in liabilities arising from financing activities are as follows: (continued)

	1.1.2020 RM (Unaudited)	Cash flows: Proceeds RM	Cash flows: Repayments RM	Non-cash: Drawdown/ Acquisition RM	Non-cash: Rent concession RM	31.12.2020 RM
Group						
Lease liabilities	1,915,915	-	(824,000)	862,026	(3,330)	1,950,611
Revolving credit	-	1,000,000	-	-	-	1,000,000
Invoice financing	-	-	(1,420,855)	1,420,855	-	-
	1,915,915	1,000,000	(2,244,855)	2,282,881	(3,330)	2,950,611

	21.2.2020 RM	Cash flows: Proceeds RM	Cash flows: Repayments RM	Non-cash: Drawdown/ Acquisition RM	Non-cash: Rent concession RM	31.12.2020 RM
Company						
Amount owing to subsidiary	-	-	139,383	-	-	139,383

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise of the following:

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Short-term deposits	11	67,276	1,219,437	-	-
Less: Pledged deposits		(67,276)	(1,219,437)	-	-
		-	-	-	-
Cash and bank balances	11	30,124,088	25,935,106	9,889,374	100
Bank overdraft	14	-	(4,620,101)	-	-
		30,124,088	21,315,005	9,889,374	100

The accompanying notes form an integral part of these financial statements.

1. CORPORATE INFORMATION

Haily Group Berhad (the "Company") is a public limited company, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Suite 5.11 & 5.12, 5th floor, Menara TJB, No. 9, Jalan Syed Mohd Mufti, 80000 Johor Bahru, Johor. The principal place of business of the Company is located at No. 3339, Jalan Pekeliling Tanjung 27, Kawasan Perindustrian Indahpura, 81000 Kulai, Johor Darul Takzim.

The holding company of the Company is Haily Holdings Sdn. Bhd., a company incorporated in Malaysia.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are dislosed in Note 7.

There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 30 March 2022.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards and the requirements of Companies Act 2016 in Malaysia.

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/ improvements to MFRSs for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases*
MFRS 139	Financial Instruments: Recognition and Measurement

* Early adopted the amendment to MFRS 16 *Leases* issued by the Malaysian Accounting Standards Board ("MASB") on 6 April 2021.

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of amendments/improvements to MFRSs (continued)

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

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

(a) The Group and the Company have not adopted the following new MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective: (continued)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (continued)		
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRSs 2018-2020*
# *Consequential amendments as a result of MFRS 17 Insurance Contracts*

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below:

Annual Improvements to MFRSs 2018–2020

Annual Improvements to MFRSs 2018–2020 covers amendments to:
- MFRS 1 *First-time Adoption of MFRSs* – simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 *Financial Instruments* – clarifies the fees an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 *Leases* – deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 *Agriculture* – removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRSs.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below: (continued)

Amendments to MFRS 3 Business Combinations

The amendments update MFRS 3 by replacing a reference to an old version of the *Conceptual Framework for Financial Reporting* with a reference to the latest version which was issued by MASB in April 2018.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

(b) The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below: (continued)

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

(c) The initial application of the above applicable new MFRS and amendments/improvements to MFRSs are not expected to have any material impact on the financial statements.

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate (the "functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

The acquisition of Haily Construction Sdn. Bhd. has been accounted for as a business combination amongst entity under common control. Accordingly, the financial statements of Haily Group Berhad have been consolidated using the merger method of accounting.

Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted based on the carrying amounts from the prespective of the common control shareholder at the date of transfer.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the combined financial statements and consolidated financial statements. Where necessary, adjustments are made to the financial statements of the subsidiaries to ensure consistency of accounting policies with those of the Group.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method to account for business combinations from the acquisition date.

Acquisition of entities under reorganisation scheme does not result in any change in economic substance. Accordingly, the consolidated financial statements of the Company are a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity are recognised and measured in the consolidated financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Company and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries and business combination (continued)

The accounting policy for goodwill is set out in Note 3.6.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combinations occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statements of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(b) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

3.2 Separate financial statements

In the Company's statement of financial position, investment in a subsidiary is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.9(b).

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

3.3 Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income (“FVOCI”) with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVPL

The classification depends on the entity’s business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments
Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classify their debt instruments:

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.9(a). Gains and losses are recognised in profit or loss when the financial asset is recognised, modified or impaired.

- **FVOCI**
  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.9(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments (continued)

- **FVPL**
  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVPL are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments
The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows: (continued)

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:
- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL
Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 *Financial Instruments* are satisfied. The Group and the Company have not designated any financial liability as at FVPL.

Financial liabilities at amortised cost
Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 *Revenue from Contracts with Customers*.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:
(i) the contractual rights to receive the cash flows from the financial asset expire; or
(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either
  (a) the Group and the Company have transferred substantially all the risks and rewards of the asset; or
  (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(d) Derecognition (continued)

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.15.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(c) Depreciation

Property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Motor vehicles	5
Plant and machinery	5 - 10
Furniture and fittings	10
Office equipment	5 - 10
Office renovation	10
Computer	5 - 10

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.5 Leases

(a) Definition of a lease

At inception of a contract, the Group and the Company assess whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group and the Company assess whether:
- the contract involves the use of an identified asset;
- the Group and the Company have the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group and the Company have the right to direct the use of the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting

At the lease commencement date, the Group and the Company recognise a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group and the Company present right-of-use assets that do not meet the definition of investment property in Note 5 and lease liabilities in Note 14.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group and the Company expect to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group and the Company use their incremental borrowing rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting (continued)

Lease liability (continued)

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group and the Company remeasure the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:
- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

(b) Lessee accounting (continued)

Lease liability (continued)

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "administrative expenses" in the statements of comprehensive income.

The Group and the Company have elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group and the Company have elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group and the Company recognise the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.6 Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interest, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initial recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

3.7 Contract assets/(liabilities)

Contract asset is the right to consideration in exchange for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Group's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(a).

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash in hand, bank balances and deposits with a maturity of three months or less, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts.

3.9 Impairment of assets

(a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, financial assets measured at FVOCI, lease receivables, contract assets, a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 *Financial Instruments* which is related to the accounting for expected credit losses on the financial assets. Expected credit losses are the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables and contract assets, the Group and the Company apply the simplified approach permitted by MFRS 9 *Financial Instruments* to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 90 days past due.

The Group and the Company consider a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for contract assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the assets' recoverable amount. For goodwill, the recoverable amount is estimated at each reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(b) Impairment of non-financial assets (continued)

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset of a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit of groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Share capital

Ordinary shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.11 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

(b) Defined contribution plans

As required by law, the Group and the Company contribute to the Employees Provident Fund, the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.12 Provisions

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group and the Company have assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components
The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group and the Company expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Construction contracts

The Group is a general construction contractor. It constructs properties under long-term and short-term contracts with customers. Construction service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue and other income (continued)

(a) Construction contracts (continued)

Under the terms of the contracts, control of the properties is transferred over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

Billings are made with a credit term of 30 days to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. The Group become entitled to invoice customers for construction of properties based on achieving a series of performance-related milestones.

The Group recognised a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group recognises a contract liability for the difference.

(b) Rendering of services

Revenue from hiring services is recognised when the Group satisfied its performance obligation upon rendering its services.

(c) Interest income

Interest income is recognised using the effective interest method.

3.14 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised as deferred income in the statements of financial position and transferred to profit or loss over the expected useful life of the related asset. Where the grant relates to an expense item, it is recognised in profit or loss, under the heading of “other income”, on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Government grants (continued)

The benefit derived from a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.15 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

3.16 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (continued)

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Income tax (continued)

(b) Deferred tax (continued)

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3.17 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision maker that makes strategic decisions.

3.19 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

3.20 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Contingencies (continued)

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

(a) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(b) the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting year. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's and the Company's financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's and the Company's financial statements within the next financial year are disclosed as follows:

(a) Impairment of financial assets and contract assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. The Group and the Company use judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's and the Company's past history, existing market conditions as well as forward looking estimate at the end of each reporting period.

The assessment of the correlation between historical observed default rates, forward-looking estimates and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the financial assets and contract assets. The Group's and the Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the impairment losses on the Group's and the Company's financial assets and contract assets are disclosed in Note 25(b).

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) Construction revenue

The Group recognised construction revenue in profit or loss by using the progress towards completion satisfaction of performance obligation. The progress towards complete satisfaction of performance obligation is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgement is required in determining the progress towards complete satisfaction of performance obligation, the extent of the construction costs incurred, the estimated total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgement, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of contract assets and contract liabilities are disclosed in Note 10.

5. PROPERTY, PLANT AND EQUIPMENT

	Note	Motor vehicles RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Office renovation RM	Computer RM	Right-of-use assets RM	Total RM
Group									
Cost									
At 1 January 2020 (unaudited)		5,292,719	928,576	535,958	733,806	31,326	178,335	3,706,085	11,406,805
Additions		303,845	63,000	23,870	92,797	-	65,781	1,158,126	1,707,419
Disposals		(15,500)	(13,500)	-	-	-	-	-	(29,000)
Write off		(2,800)	-	-	-	-	-	-	(2,800)
Reclassification		742,589	-	-	-	-	-	(742,589)	-
Derecognition due to end of lease term		-	-	-	-	-	-	(4,131)	(4,131)
At 31 December 2020		6,320,853	978,076	559,828	826,603	31,326	244,116	4,117,491	13,078,293
Additions		490,000	76,800	158,355	536,925	-	94,204	1,118,729	2,475,013
Disposals		-	-	-	-	-	(2,345)	-	(2,345)
Reclassification		539,256	-	-	-	-	-	(539,256)	-
Derecognition due to end of lease term		-	-	-	-	-	-	(25,303)	(25,303)
At 31 December 2021		7,350,109	1,054,876	718,183	1,363,528	31,326	335,975	4,671,661	15,525,658

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Motor vehicles RM	Plant and machinery RM	Furniture and fittings RM	Office equipment RM	Office renovation RM	Computer RM	Right-of-use assets RM	Total RM
Group									
Accumulated depreciation									
At 1 January 2020 (unaudited)		5,070,686	490,259	216,891	497,677	31,326	95,571	1,223,194	7,625,604
Depreciation charge for the financial year	20	296,379	106,125	46,728	71,040	-	30,376	818,635	1,369,283
Disposals		(15,500)	(10,913)	-	-	-	-	-	(26,413)
Write off		(2,800)	-	-	-	-	-	-	(2,800)
Reclassification		475,697	-	-	-	-	-	(475,697)	-
Derecognition due to end of lease term		-	-	-	-	-	-	(4,131)	(4,131)
At 31 December 2020		5,824,462	585,471	263,619	568,717	31,326	125,947	1,562,001	8,961,543
Depreciation charge for the financial year	20	342,487	102,493	61,528	168,434	-	45,868	985,935	1,706,745
Disposals		-	-	-	-	-	(2,345)	-	(2,345)
Reclassification		431,405	-	-	-	-	-	(431,405)	-
Derecognition due to end of lease term		-	-	-	-	-	-	(25,303)	(25,303)
At 31 December 2021		6,598,354	687,964	325,147	737,151	31,326	169,470	2,091,228	10,640,640
Carrying amount									
At 31 December 2020		496,391	392,605	296,209	257,886	-	118,169	2,555,490	4,116,750
At 31 December 2021		751,755	366,912	393,036	626,377	-	166,505	2,580,433	4,885,018

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(a) Assets pledged as security

Leased assets are pledged as security for the related lease liabilities as disclosed in Note 14(a).

(b) Right-of-use assets

The Group leases buildings and equipment for its office space and operation. The leases are mainly for an initial lease of two (2) to five (5) years (2020: two (2) to five (5) years). The Group has options to renew one of the lease buildings for another three (3) years (2020: three (3) years). As at 31 December 2021 and 31 December 2020, the Group has included the potential future cash flows of exercising the extension options in the lease liability.

The Group also has leased motor vehicles with lease term of three (3) years (2020: three (3) years) and such leases do not have terms of renewal which give the Group an option to purchase at nominal values at the end of the lease term. The effective interest rate implicit in the leases ranges from 3.60% to 7.09% (2020: 3.60% to 7.09%).

Information about leases for which the Group is lessees is presented below:

	Office buildings RM	Office equipment RM	Motor vehicles RM	Total RM
Group				
Carrying amount				
At 1 January 2020 (unaudited)	970,370	26,055	1,486,466	2,482,891
Additions	-	15,026	1,143,100	1,158,126
Depreciation	(223,604)	(11,948)	(583,083)	(818,635)
Reclassification	-	-	(266,892)	(266,892)
At 31 December 2020	746,766	29,133	1,779,591	2,555,490
Additions	675,147	-	443,582	1,118,729
Depreciation	(331,911)	(12,355)	(641,669)	(985,935)
Reclassification	-	-	(107,851)	(107,851)
At 31 December 2021	1,090,002	16,778	1,473,653	2,580,433

6. GOODWILL

	Group 2021 RM	Group 2020 RM
At the beginning of the financial year	117,583	117,583
Impairment loss	(117,583)	-
At the end of the financial year	-	117,583

Impairment of goodwill

Management reviews the business performance based on the type of services of the strategic business units which represent its reportable operating segments. For the purpose of impairment testing, goodwill acquired through business combinations is allocated to the Group's cash generating unit ("CGU") which is also reportable operating segment, which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The carrying amount of goodwill allocated to the CGU of the Group is as follow:

	Group 2021 RM	Group 2020 RM
Others	-	117,583

Goodwill is assessed at each reporting date regardless of any indication of impairment by comparing the carrying amount with the recoverable amount of each CGU.

The recoverable amount of the CGU has been determined based on value-in-use calculations using cash flows projection from financial budgets and forecasts approved by management covering a five-year period. The same method has also been used in the previous financial year.

Based on the sensitivity analysis performed, the Group noted that the recoverable amount of the said goodwill was lower than its carrying amount. Accordingly, an impairment loss of RM117,583 was recognised and expensed off in the statements of comprehensive income of the Group.

7. INVESTMENT IN A SUBSIDIARY

	Company 2021 RM	Company 2020 RM
At cost		
Unquoted shares	41,529,768	41,529,768

Details of the subsidiaries are as follows:

Name of company	Principal place of business/country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %	Principal activities
Haily Construction Sdn. Bhd.	Malaysia	100	100	Building construction of residential and non-residential buildings
Subsidiary of Haily Construction Sdn. Bhd.				
Haily Machinery Sdn. Bhd.	Malaysia	100	100	Provision of rental of construction machinery

Acquisition of a subsidiary

The Company had on 24 July 2020, entered into a conditional share sale agreement with Haily Holdings Sdn. Bhd. to acquire the entire issued share capital of Haily Construction Sdn. Bhd. comprising 1,500,000 ordinary shares for a total purchase consideration of RM41,529,768. The acquisition of Haily Construction Sdn. Bhd. is to be wholly satisfied by the issuance of 148,320,600 new shares of the Company at an issue price of RM0.28 per share. The acquisition of Haily Construction Sdn. Bhd. was completed on 24 August 2020.

8. OTHER INVESTMENTS

	Group 2021 RM	Group 2020 RM
Financial asset designated at FVPL		
At fair value:		
Investment securities	2,272,278	1,817,728

9. TRADE AND OTHER RECEIVABLES

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Trade					
Trade receivables	(a)	27,263,391	44,249,431	-	-
Retention sums		28,710,774	28,439,814	-	-
		55,974,165	72,689,245	-	-
Non-trade					
Other receivables		296,066	77,017	-	-
Deposits		444,615	618,991	1,000	127,347
Prepayments		138,888	525,636	11,572	-
Amount owing by subsidiaries	(b)	-	-	9,867,205	-
		879,569	1,221,644	9,879,777	127,347
Total trade and other receivables		56,853,734	73,910,889	9,879,777	127,347

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group range from 30 days to 90 days from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

(b) Amount owing by subsidiaries

Amount owing by subsidiaries are unsecured, non-trade in nature, non-interest bearing, repayable on demand and are expected to be settled in cash.

The information about the credit exposures are disclosed in Note 25(b)(i).

10. CONTRACT ASSETS/(LIABILITIES)

	Group 2021 RM	Group 2020 RM
Contract assets relating to construction service contracts	39,013,696	29,677,709
Contract liabilities relating to construction service contracts	(236,587)	(2,960,004)

(a) Significant changes in contract balances

	1.1.2021 to 31.12.2021 Contract assets Increase/ (decrease) RM	1.1.2021 to 31.12.2021 Contract liabilities (Increase)/ decrease RM	1.1.2020 to 31.12.2020 Contract assets Increase/ (decrease) RM	1.1.2020 to 31.12.2020 Contract liabilities (Increase)/ decrease RM
Group				
Revenue recognised that was included in contract liabilities at the beginning of the financial year	-	2,960,004	-	10,581,521
Increases due to cash consideration received from customers, but revenue not recognised	-	(236,587)	-	(2,960,004)
Increases as a result of changes in the measure of progress	38,914,137	-	28,126,784	-
Transfers from contract assets recognised at the beginning of the financial year to receivables	(29,578,150)	-	(15,172,699)	-

10. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(b) Revenue recognised in relation to contract balances

	Group	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM
Revenue recognised that was included in contract liabilities at the beginning of the financial year	2,960,004	10,581,521

Revenue recognised that was included in the contract liabilities balances at the beginning of the financial year represented primarily revenue from construction contracts when percentage of completion increases.

11. CASH AND SHORT-TERM DEPOSITS

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash and bank balances	30,124,088	25,935,106	9,889,374	100
Short-term deposits	67,276	1,219,437	-	-
	30,191,364	27,154,543	9,889,374	100

Included in the deposits placed with licensed bank of the Group, RM67,276 (2020: RM1,219,437) is pledged for banking facilities granted to the Group as disclosed in Note 14.

12. SHARE CAPITAL

	Group			
	Number of ordinary shares		Amount	
	2021 Unit	2020 Unit	2021 RM	2020 RM
Issued and fully paid-up (no par value):				
At the beginning of the financial year	148,320,700	1,500,000	41,529,868	1,500,000
Issued during the financial year	-	100	-	100
Issuance of shares pursuant to acquisition of a subsidiary	-	148,320,600	-	41,529,768
Adjustment pursuant to merger accounting	-	(1,500,000)	-	(1,500,000)
Issuance of shares pursuant to public issue	30,000,000	-	20,400,000	-
Shares issuance expense	-	-	(674,880)	-
At the end of the financial year	178,320,700	148,320,700	61,254,988	41,529,868

	Company			
	Number of ordinary shares		Amount	
	2021 Unit	2020 Unit	2021 RM	2020 RM
Issued and fully paid-up (no par value):				
At the beginning of the financial year/at 21 February 2020 (date of incorporation)	148,320,700	1	41,529,868	1
Issued during the financial year/ period	-	99	-	99
Issuance of shares pursuant to acquisition of a subsidiary	-	148,320,600	-	41,529,768
Issuance of shares pursuant to public issue	30,000,000	-	20,400,000	-
Shares issuance expense	-	-	(674,880)	-
At the end of the financial year/ period	178,320,700	148,320,700	61,254,988	41,529,868

12. SHARE CAPITAL (CONTINUED)

During the financial year, the Company issued 30,000,000 new ordinary shares via public issue at the initial public offering price of RM0.68 per ordinary share.

The new ordinary shares issued during the financial year/period rank *pari passu* in all respects with the existing ordinary shares of the Company.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

13. REORGANISATION RESERVE

The reorganisation reserve arose from the differences between the carrying value of the investment and the nominal value of the shares of the subsidiary upon consolidation under the merger accounting principles.

14. BORROWINGS

		Group	
	Note	2021 RM	2020 RM
Non-current:			
Lease liabilities	(a)	1,032,762	1,102,653
		1,032,762	1,102,653
Current:			
Lease liabilities	(a)	948,282	847,958
Revolving credit	(b)	-	1,000,000
Bank overdraft	(c)	-	4,620,101
		948,282	6,468,059
Total borrowings:			
Lease liabilities	(a)	1,981,044	1,950,611
Revolving credit	(b)	-	1,000,000
Bank overdraft	(c)	-	4,620,101
		1,981,044	7,570,712

14. BORROWINGS (CONTINUED)

(a) Lease liabilities

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	Group	
	2021 RM	2020 RM
Minimum lease payments:		
- Not later than one year	1,015,035	917,485
- Later than one year and not later than five years	1,066,382	1,151,404
	2,081,417	2,068,889
Less: Future finance charges	(100,373)	(118,278)
Present value of minimum lease payments	1,981,044	1,950,611
Present value of minimum lease payments:		
- Not later than one year	948,282	847,958
- Later than one year and not later than five years	1,032,762	1,102,653
	1,981,044	1,950,611
Less: Amount due within twelve months	(948,282)	(847,958)
Amount due after twelve months	1,032,762	1,102,653

(b) Revolving credit

Revolving credit bears interest at Nil% (2020: 2.75%) per annum over the cost funding rate and is secured and supported as follows:

(i) Legal charge over the fixed deposits as disclosed in Note 11;

(ii) Joint and several guarantee by certain directors of the Company and a director of the holding company; and

(iii) Guarantee by the investment securities as disclosed in Note 8.

14. BORROWINGS (CONTINUED)

(c) Bank overdraft

Bank overdraft bears interest at Nil% (2020: 0.25%) per annum over the base lending rate and is secured and supported as follows:
(i) Legal charge over the fixed deposits as disclosed in Note 11;
(ii) Joint and several guarantee by certain directors of the Company and a director of the holding company; and
(iii) Guarantee by the investment securities as disclosed in Note 8.

15. DEFERRED TAX LIABILITIES

Deferred tax relates to the following:

	As at 1 January 2021 RM	Recognised in profit or loss RM (Note 22)	As at 31 December 2021 RM
Group			
Deferred tax liability:			
Property, plant and equipment	(186,747)	(8,449)	(195,196)

	As at 1 January 2020 RM (Unaudited)	Recognised in profit or loss RM (Note 22)	As at 31 December 2020 RM
Group			
Deferred tax liability:			
Property, plant and equipment	(182,951)	(3,796)	(186,747)

16. TRADE AND OTHER PAYABLES

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Trade					
Trade payables	(a)	39,646,234	52,297,574	-	-
Retention sums		12,487,157	15,566,651	-	-
Trade accruals		1,579,862	1,903,482	-	-
		53,713,253	69,767,707	-	-
Non-trade					
Other payables		478,317	274,509	140	-
Accruals		1,184,283	3,008,028	109,570	139,500
Amount owing to subsidiary	(b)	-	-	-	139,383
		1,662,600	3,282,537	109,710	278,883
Total trade and other payables		55,375,853	73,050,244	109,710	278,883

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 days to 90 days.

(b) Amount owing to subsidiary

Amount owing to subsidiary is unsecured, non-trade in nature, non-interest bearing, repayable on demand and is expected to be settled in cash.

For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 25(b)(ii).

17. REVENUE

	Group 1.1.2021 to 31.12.2021 RM	Group 1.1.2020 to 31.12.2020 RM	Company 1.1.2021 to 31.12.2021 RM	Company 21.2.2020 to 31.12.2020 RM
Revenue from contract customers:				
Over time:				
Construction contracts	124,066,492	166,132,172	-	-
Revenue from other source:				
At a point in time:				
Dividend income	-	-	3,500,000	-
	124,066,492	166,132,172	3,500,000	-

18. OTHER INCOME

	Group 1.1.2021 to 31.12.2021 RM	Group 1.1.2020 to 31.12.2020 RM	Company 1.1.2021 to 31.12.2021 RM	Company 21.2.2020 to 31.12.2020 RM
Gain on disposal of property, plant and equipment	100	7,413	-	-
Interest income	255,598	150,382	70,172	-
Government grants	195,000	255,000	-	-
Covid-19 related rent concession income	-	3,330	-	-
Miscellaneous	87,112	43,161	-	-
	537,810	459,286	70,172	-

19. FINANCE COSTS

	Group 1.1.2021 to 31.12.2021 RM	Group 1.1.2020 to 31.12.2020 RM
Interest expense on:		
- Lease liabilities	84,645	91,658
- Revolving credit	28,991	24,546
- Invoice financing	-	6,457
- Bank overdraft	138,026	89,420
	251,662	212,081

20. PROFIT/(LOSS) BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged in arriving at profit/(loss) before tax:

	Note	Group 1.1.2021 to 31.12.2021 RM	Group 1.1.2020 to 31.12.2020 RM	Company 1.1.2021 to 31.12.2021 RM	Company 21.2.2020 to 31.12.2020 RM
Auditors' remuneration		90,000	65,000	29,500	10,000
Depreciation of property, plant and equipment	5	1,706,745	1,369,283	-	-
Impairment losses on goodwill		117,583	-	-	-
Employee benefits expense	21	10,239,369	12,087,771	331,220	128,900
Rental expenses on:					
- Site copier		100	-	-	-
- Site office		500	-	-	-
- Site hostel		13,400	31,300	-	-
- Office		4,400	-	-	-
- Hostel		800	-	-	-

21. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	21.2.2020 to 31.12.2020 RM
Salaries, allowances and bonuses	9,254,363	11,022,993	313,200	128,900
Defined contribution plans	842,450	874,613	-	-
Other staff related expenses	142,556	190,165	18,020	-
	10,239,369	12,087,771	331,220	128,900
Included in employee benefits expense are:				
- Directors' fees	289,200	1,181,400	289,200	121,400
- Directors' remuneration	1,176,000	1,223,500	24,000	7,500
- Directors' defined contribution plans	128,640	145,920	-	-
- Directors' other emoluments	3,481	3,599	-	-
	1,597,321	2,554,419	313,200	128,900

22. INCOME TAX EXPENSE

The major components of income tax expense for the financial year ended 31 December 2021 and financial year/period ended 31 December 2020 are as follows:

	Group		Company	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	21.2.2020 to 31.12.2020 RM
Statements of comprehensive income				
Current income tax:				
- Current income tax charge	2,787,818	3,984,142	14,619	-
- Adjustment in respect of prior year	31,304	71,400	-	-
	2,819,122	4,055,542	14,619	-

22. INCOME TAX EXPENSE (CONTINUED)

The major components of income tax expense for the financial year ended 31 December 2021 and financial year/period ended 31 December 2020 are as follows: (continued)

	Group		Company	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	21.2.2020 to 31.12.2020 RM
Deferred tax: (Note 15)				
- Origination of temporary differences	14,838	4,756	-	-
- Adjustment in respect of prior year	(6,389)	(960)	-	-
	8,449	3,796	-	-
Income tax expense recognised in profit or loss	2,827,571	4,059,338	14,619	-

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2.50 million and below and annual sales less than RM50 million is subject to the statutory tax rate of 17% on chargeable income of up to RM600,000. For chargeable income in excess of RM600,000, statutory tax rate of 24% is still applicable.

22. INCOME TAX EXPENSE (CONTINUED)

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	21.2.2020 to 31.12.2020 RM
Profit/(Loss) before tax	9,084,390	14,503,294	3,094,646	(151,536)
Tax at Malaysian statutory income tax rate of 24%	2,180,254	3,480,791	742,715	(36,369)
SME tax savings	-	(18,736)	-	-
Adjustments:				
- Income not subject to tax	(46,801)	(52,848)	(840,000)	-
- Non-deductible expenses	669,203	579,691	111,904	36,369
- Adjustment in respect of current income tax of prior year	31,304	71,400	-	-
- Adjustment in respect of deferred tax of prior year	(6,389)	(960)	-	-
Income tax expense	2,827,571	4,059,338	14,619	-

23. EARNINGS PER SHARE

Basic earnings per ordinary share and diluted earnings per ordinary share

Basic earnings per ordinary share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per ordinary share are based on the profit for the financial year attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic and diluted earnings per ordinary share are computed as follow:

	Group	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM
Profit attributable to owners of the Company	6,256,819	10,443,956
Weighted average number of ordinary shares for basic and diluted earnings per share	161,475,986	65,017,294
Basic and diluted earnings per share (sen)	3.87	16.06

24. DIVIDENDS

	Group	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Single-tier interim dividend for the financial year ended 31 December 2021: RM0.0168 per ordinary share, paid on 30 August 2021	2,995,788	-
- Single-tier interim dividend for the financial year ended 31 December 2020: RM1.67 per ordinary share, paid on 1 April 2020	-	2,500,000
	2,995,788	2,500,000

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Amortised cost
(ii) FVPL

	Carrying amount RM	Amortised cost RM	FVPL RM
At 31 December 2021			
Financial assets			
Group			
Other investments	2,272,278	-	2,272,278
Trade and other receivables, less prepayments	56,714,846	56,714,846	-
Cash and short-term deposits	30,191,364	30,191,364	-
	89,178,488	86,906,210	2,272,278

25. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned: (continued)

	Carrying amount RM	Amortised cost RM	FVPL RM
At 31 December 2021 (continued)			
Financial assets (continued)			
Company			
Trade and other receivables, less prepayments	9,868,205	9,868,205	-
Cash and short-term deposits	9,889,374	9,889,374	-
	19,757,579	19,757,579	-
Financial liabilities			
Group			
Borrowings	(1,981,044)	(1,981,044)	-
Trade and other payables	(55,375,853)	(55,375,853)	-
	(57,356,897)	(57,356,897)	-
Company			
Trade and other payables	(109,710)	(109,710)	-
At 31 December 2020			
Financial assets			
Group			
Other investments	1,817,728	-	1,817,728
Trade and other receivables, less prepayments	73,385,253	73,385,253	-
Cash and short-term deposits	27,154,543	27,154,543	-
	102,357,524	100,539,796	1,817,728
Company			
Trade and other receivables	127,347	127,347	-
Cash and short-term deposits	100	100	-
	127,447	127,447	-

25. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned: (continued)

	Carrying amount RM	Amortised cost RM	FVPL RM
At 31 December 2020 (continued)			
Financial liabilities			
Group			
Borrowings	(7,570,712)	(7,570,712)	-
Trade and other payables	(73,050,244)	(73,050,244)	-
	(80,620,956)	(80,620,956)	-
Company			
Trade and other payables	(278,883)	(278,883)	-

(b) Financial risk management

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Company's senior management.

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on their obligations. The Group and the Company are exposed to credit risk from their operating activities (primarily trade receivables) and from their financing activities, including deposits with banks and financial institutions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables and contract assets

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the statements of financial position.

The carrying amounts of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

<u>Credit risk concentration profile</u>
At the end of the reporting period, the Group has a significant concentration of credit risk in the form of seven (7) (2020: eight (8)) trade receivables, representing approximately 94.5% (2020: 95.3%) of the Group's total trade receivables.

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The Group applies the simplified approach to providing for impairment losses prescribed by MFRS 9 *Financial Instruments*, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the impairment losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows:

			Trade receivables						
	Contract assets RM	Retention sums RM	Current RM	1 to 30 days past due RM	31 to 60 days past due RM	61 to 90 days past due RM	91 to 120 days past due RM	> 120 days past due RM	Total RM
Group									
At 31 December 2021									
Gross carrying amount	39,013,696	28,710,774	16,482,849	3,504,916	-	423,125	-	6,852,501	27,263,391
Impairment losses	-	-	-	-	-	-	-	-	-
Net balance	39,013,696	28,710,774	16,482,849	3,504,916	-	423,125	-	6,852,501	27,263,391
At 31 December 2020									
Gross carrying amount	29,677,709	28,439,814	18,651,464	6,149,790	2,834,373	1,835,550	2,354,038	12,424,216	44,249,431
Impairment losses	-	-	-	-	-	-	-	-	-
Net balance	29,677,709	28,439,814	18,651,464	6,149,790	2,834,373	1,835,550	2,354,038	12,424,216	44,249,431

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets

For other receivables and other financial assets (including investment securities and cash and cash equivalents), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial asset is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 90 days past due in making a contractual payment.

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

Intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

As at the end of reporting date, the Group and the Company did not recognise any loss allowance for impairment for other receivables and other financial assets. Refer to Note 3.9(a) for the Group's and the Company's other accounting policies for impairment of financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arises principally from trade and other payables and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company use a series of processes to obtain maximum benefits from its flow of funds, such that they are efficiently managed to maximise income from investments and minimise cost on borrowed funds. The Group's and the Company's finance department also ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities by their relevant maturities at the reporting date based on contractual undiscounted repayment obligations are as follows:

	Carrying amount RM	← On demand or within 1 year RM	Contractual cash flows Between 1 and 5 years RM	More than 5 years RM	→ Total RM
Group					
At 31 December 2021					
Trade and other payables	55,375,853	55,375,853	-	-	55,375,853
Lease liabilities	1,981,044	1,015,035	1,066,382	-	2,081,417
	57,356,897	**56,390,888**	**1,066,382**	**-**	**57,457,270**
At 31 December 2020					
Trade and other payables	73,050,244	73,050,244	-	-	73,050,244
Lease liabilities	1,950,611	917,485	1,151,404	-	2,068,889
Revolving credit	1,000,000	1,000,000	-	-	1,000,000
Bank overdraft	4,620,101	4,620,101	-	-	4,620,101
	80,620,956	**79,587,830**	**1,151,404**	**-**	**80,739,234**
Company					
At 31 December 2021					
Trade and other payables	109,710	109,710	-	-	109,710
At 31 December 2020					
Trade and other payables	278,883	278,883	-	-	278,883

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Interest rate risk

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from its borrowings with floating interest rates.

Sensitivity analysis of interest rate risk
The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial year.

	Carrying amount RM	Change in basis points	Effect on equity and profit for the financial year RM
Group			
31 December 2020			
Revolving credit	1,000,000	+50	(3,800)
		-50	3,800
Bank overdraft	4,620,101	+50	(17,556)
		-50	17,556

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables and short-term borrowings are reasonably approximate to their fair value due to relatively short-term nature of these financial instruments.

There have been no transfers between Level 1, Level 2 and Level 3 during the financial year.

25. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (continued)

The following table provides the fair value measurement hierarchy of the Group's financial instruments:

	Carrying amount RM	Fair value of financial instruments carried at fair value — Fair value Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Group					
31 December 2021					
Financial asset					
Non-current					
Other investments	2,272,278	2,272,278	-	-	2,272,278
31 December 2020					
Financial asset					
Non-current					
Other investments	1,817,728	1,817,728	-	-	1,817,728

26. COMMITMENTS

(a) Capital commitments

The Group has made commitments for the following capital expenditures:

	Group 2021 RM	Group 2020 RM
Computer software	418,700	-

(b) Operating lease commitments – as lessee

The Group leases some buildings under operating leases for lease term of one (1) year (2020: one (1) year), with option to renew the lease at the end of the lease term.

26. COMMITMENTS (CONTINUED)

(b) Operating lease commitments – as lessee (continued)

Future minimum rental payable under the non-cancellable operating lease at the reporting date is as follows:

	Group	
	2021 RM	2020 RM
Not later than one year	16,800	21,600

27. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group and the Company if the Group and the Company have the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group and the Company include:
(i) Company's holding company;
(ii) Subsidiaries; and
(iii) Key management personnel of the Group and the Company, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities or indirectly.

(b) Significant related parties transactions

Significant related parties transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	21.2.2020 to 31.12.2020 RM
Rental expenses				
- Company's holding company	360,000	240,000	-	-
Dividend income				
- Subsidiary	-	-	3,500,000	-

27. RELATED PARTIES (CONTINUED)

(c) Compensation of key management personnel

	Group		Company	
	1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2021 to 31.12.2021 RM	21.2.2020 to 31.12.2020 RM
Salaries, allowances and bonuses	1,959,200	2,898,900	313,200	128,900
Defined contribution plans	187,920	200,640	-	-
Other staff related expenses	5,328	5,446	-	-
	2,152,448	3,104,986	313,200	128,900

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Notes 9 and 16.

28. CAPITAL MANAGEMENT

The primary objective of the Group's and the Company's capital management is to ensure that they maintain a strong credit rating and healthy capital ratio in order to support their business and maximise shareholder value. The Group and the Company manage their capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial year ended 31 December 2021 and the financial year/period ended 31 December 2020.

The Group and the Company monitor capital using gearing ratio. The gearing ratio is calculated as total debts divided by total equity. The Company has no borrowings for the current financial period. Accordingly, the calculation of gearing ratio is not meaningful to the Company.

28. CAPITAL MANAGEMENT (CONTINUED)

The gearing ratio as at 31 December 2021 and 31 December 2020 are as follows:

		Group	
	Note	2021 RM	2020 RM
Borrowings/total debts	**14**	1,981,044	7,570,712
Total equity		74,960,000	51,973,849
Gearing ratio (times)		0.03	0.15

There were no changes in the Group's and the Company's approach to capital management during the financial year/period under review.

The Group is required to comply with externally imposed capital requirements on leverage ratio and maintain certain net worth in respect of its bank borrowings. The Group has complied with those capital requirements.

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Coronavirus Disease (''COVID-19'') pandemic

On 11 March 2020, the World Health Organisation declared the COVID-19 outbreak as a pandemic in recognition of its rapid spread across the globe. Many countries including the Malaysian Government imposed the Movement Control Order ("MCO") to curb the spread of the COVID-19 pandemic. The COVID-19 pandemic also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 pandemic since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

The Group and the Company have performed assessments on the overall impact of the situation on the Group's and the Company's operations and financial implications, including the recoverability of the carrying amount of assets and subsequent measurement of assets and liabilities, and concluded that there was no material adverse effect on the financial statements for the financial year ended 31 December 2021.

Given the fluidity of the situation, the Group and the Company are unable to reasonably estimate the complete financial impacts of COVID-19 pandemic for the financial year ending 31 December 2022 to be disclosed in the financial statements as impact assessment of the COVID-19 pandemic is a continuing process. The Group and the Company will continuously monitor any material changes to future economic conditions that will affect the Group and the Company.

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Listing on ACE Market of Bursa Malaysia Securities Berhad

On 30 June 2021, the Company issued its Prospectus and undertook an initial public offering comprising:

(i) Public issue of 30,000,000 new ordinary shares at the initial public offering of RM0.68 per ordinary share allocated in the following manner:

(a) 8,920,000 new ordinary shares available for application by the Malaysian public;

(b) 10,000,000 new ordinary shares made available for application by the eligible directors and employees of the Group and persons who have contributed to the success of the Group; and

(c) 11,080,000 new ordinary shares made available by way of private placement to selected Bumiputera Investors approved by the Ministry of International Trade and Industry Malaysia and selected investors.

(ii) Offer for sale of 18,000,000 existing shares at the initial public offering price of RM0.68 per ordinary share by way of private placement to the selected Bumiputera investors approved by Ministry of International Trade and Industry Malaysia and selected investors.

On 21 July 2021, the Company was listed on the ACE Market of Bursa Malaysia Securities Berhad comprising public issue of 30,000,000 new ordinary shares.

30. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by directors for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follows:

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

Inter-segment pricing is determined on negotiated basis.

30. SEGMENT INFORMATION (CONTINUED)

	Building construction RM	Others RM	Adjustment and eliminations RM	Total RM
Financial year ended 31 December 2021				
Revenue:				
Revenue from external customers	123,843,996	222,496	-	124,066,492
Inter-segment revenue	-	1,643,278	(1,643,278)	-
	123,843,996	1,865,774	(1,643,278)	124,066,492
Segment profit	21,897,552	17,691	-	21,915,243
Other income				537,810
Unallocated expenses				(13,117,001)
Finance costs				(251,662)
Income tax expense				(2,827,571)
Profit for the financial year				6,256,819
Results:				
Included in the measure of segment profit are:				
Employee benefits expense				10,239,369
Depreciation of property, plant and equipment				1,706,745
Impairment losses on goodwill				117,583

30. SEGMENT INFORMATION (CONTINUED)

	Building construction RM	Others RM	Adjustment and eliminations RM	Total RM
Financial year ended 31 December 2020				
Revenue:				
Revenue from external customers	163,875,136	2,257,036	-	166,132,172
Inter-segment revenue	-	1,561,204	(1,561,204)	-
	163,875,136	3,818,240	(1,561,204)	166,132,172
Segment profit	27,169,066	315,321	-	27,484,387
Other income				459,286
Unallocated expenses				(13,228,298)
Finance costs				(212,081)
Income tax expense				(4,059,338)
Profit for the financial year				10,443,956
Results:				
Included in the measure of segment profit are:				
Employee benefits expense				12,087,771
Depreciation of property, plant and equipment				1,369,283

STATEMENT BY DIRECTORS
(PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016)

We, **SEE TIN HAI** and **YOONG WOEI YEH**, being two of the directors of HAILY GROUP BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....

SEE TIN HAI
Director

....

YOONG WOEI YEH
Director

Johor Bahru

Date: 30 March 2022

STATUTORY DECLARATION
(PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016)

I, **LONG CHEOW SIONG**, being the officer primarily responsible for the financial management of HAILY GROUP BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

……………………………………
LONG CHEOW SIONG
(MIA Membership No: 10464)

Subscribed and solemnly declared by the abovenamed at Johor Bahru in the state of Johor on 30 March 2022.

Before me,

....
Commissioner for Oaths

VASANTHI A/P VADIVELOO
NO. J 258

Johor Bahru

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HAILY GROUP BERHAD (INCORPORATED IN MALAYSIA)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Haily Group Berhad, which comprise the statements of financial position as at 31 December 2021 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 68 to 145.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws* (*on Professional Ethics, Conduct and Practice*) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Trade receivables and contract assets (Notes 9 and 10 to the financial statements)

The Group has significant trade receivables and contract assets as at 31 December 2021. We focused on this area because the Group made significant judgements and the level of uncertainty involved on assessing customer's specific conditions, credit history as well as forward looking information. In making these assumptions, the Group has assessed the allowances for impairment loss of trade receivables and contract assets on an individual basis.

Our response:

Our audit procedures included, among others:

- understanding the design and implementation of controls associated with monitoring of outstanding receivables and contract assets and impairment calculation;
- developing understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection reports prepared by management;
- obtaining confirmation of balances from selected receivables;
- checking subsequent receipts, customer correspondence, and considering level of activity with the customer and management explanation on recoverability with significantly past due balances; and
- assessing the reasonableness of expected credit losses provided as at the end of the reporting period.

Key Audit Matters (continued)

Revenue recognition for construction activities (Note 17 to the financial statements)

The amount of revenue of the Group's construction activities is recognised over the period of contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of performance obligation is determined by reference to proportion of construction cost incurred for works performed to date bear to the estimated total costs for each project (input method). We focused on this area because significant Group's judgement is required, in particular with regards to determining the progress towards complete satisfaction of a performance obligation, the extent of the construction costs incurred, the estimated total construction contracts revenue and costs, as well as recoverability of the construction contracts projects. The estimated total revenue and costs are affected by a variety of uncertainties that depend on the outcome of future events.

Our response:

Our audit procedures on a sample of major projects included, among others:

- reading the terms and conditions of agreements with customers;
- understanding the Group's process in preparing project budget and the calculation of the progress towards anticipated satisfaction of performance obligation;
- comparing Group's major assumptions to contractual terms, our understanding gathered from the analysis of changes in the assumptions from previous financial year and discussing with project manager;
- comparing the Group's computed progress towards complete satisfaction of performance obligation for identified projects against architect or consultant certificate;
- checking the mathematical computation of recognised revenue for the projects during the financial year; and
- comparing the Group's assessment on the potential deduction to revenue arising from liquidated and ascertained damages against the contractual delivery dates and estimated delivery dates, progress reports, interview of relevant project personnel and correspondence from solicitors.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
HAILY GROUP BERHAD (INCORPORATED IN MALAYSIA) CONT'D

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Paul Tan Hong
No. 03459/11/2023 J
Chartered Accountant

Kuala Lumpur

Date: 30 March 2022

ANALYSIS OF SHAREHOLDINGS
AS AT 21 MARCH 2022

SHARE CAPITAL AS AT 21 MARCH 2022

Issued Share Capital	:	RM61,929,868-00 comprised of 178,320,700 ordinary shares fully paid
Class of shares	:	Ordinary shares
Voting rights	:	One (1) vote per ordinary share

DISTRIBUTION OF SHAREHOLDERS ACCORDING TO STATISTICAL SUMMARY OF THE RECORD OF DEPOSITORS AS AT 21 MARCH 2022

No. of shareholders	Size of shareholdings	No. of shares held	%
7	Less than 100 shares	100	0.00
211	100 to 1,000 shares	147,620	0.08
883	1,001 to 10,000 shares	5,017,800	2.81
504	10,001 to 100,000 shares	15,793,480	8.86
74	100,001 to less than 5% of issued shares	27,041,000	15.16
1	5% and above of issued shares	130,320,700	73.08
1,680	**TOTAL**	**178,320,700**	**100.00**

LIST OF 30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 21 MARCH 2022

No.	Name of shareholders	No. of shares held	%
1	HAILY HOLDINGS SDN BHD	130,320,700	73.08
2	WONG CHEE SEAN @ WONG SEAN	5,283,700	2.96
3	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HENG AH MOI	1,551,700	0.87
4	NG KIM LENG	1,500,000	0.84
5	RHB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOH YONG HUAT	1,180,000	0.66
6	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHUA KENG HUAT (E-JAH)	800,000	0.45
7	YON MARKETING SDN BHD	650,000	0.36
8	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR WONG CHEE HAO (E-JBU)	635,500	0.36
9	KENANGA NOMINEES (TEMPATAN) SDN BHD RAKUTEN TRADE SDN BHD FOR BEH YONG WAH	563,000	0.32
10	SEE SWEE LING	500,000	0.28
11	YOONG WOEI YEH	500,000	0.28
12	LOW CHIN CHUN	430,000	0.24
13	LIEW TAT YANG	406,200	0.23
14	CHEW JIIN @ CHEW LEE CHIN	400,000	0.22
15	EDMUND CH'NG CHENG YOON	400,000	0.22
16	LAU LI YIN	400,000	0.22
17	LIM TECK LOONG	400,000	0.22
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE WAI HIN	400,000	0.22

ANALYSIS OF SHAREHOLDINGS
AS AT 21 MARCH 2022 CONT'D

LIST OF 30 LARGEST SHAREHOLDERS ACCORDING TO THE RECORD OF DEPOSITORS AS AT 21 MARCH 2022 Cont'd

No.	Name of shareholders	No. of shares held	%
19	NG CHIN HOE	400,000	0.22
20	NG TIM FOO	400,000	0.22
21	WINSTON CHIEW SOON KIAT	400,000	0.22
22	CHIEW KHA CHAI	392,800	0.22
23	OH ENG LEONG	346,000	0.19
24	KHOO BOON HAN	343,100	0.19
25	TAN SIEW CHIN	337,300	0.19
26	NG KOK SENG	321,900	0.18
27	TAY HONG SING	300,000	0.17
28	MAYBANK NOMINEES (TEMPATAN) SDN BHD TING HIE SING	280,000	0.16
29	KOH AH GEIK	279,000	0.16
30	CHIAH KEAT SOON	272,600	0.15

SUBSTANTIAL SHAREHOLDERS AS AT 21 MARCH 2022 (As per Register of Substantial Shareholders)

		No. of shares held			
No.	Name of shareholder	Direct Interest	%	Deemed Interest	%
1	HAILY HOLDINGS SDN BHD	130,320,700	73.08	-	-
2	SEE TIN HAI	-	-	130,440,700[(a)(b)]	73.15
3	KIK SIEW LEE	-	-	130,320,700[(a)]	73.08

DIRECTORS' SHAREHOLDINGS AS AT 21 MARCH 2022 (As per Register of Directors' Shareholdings)

		No. of shares held			
No.	Name of Director	Direct Interest	%	Deemed Interest	%
1	HAJI MOHD JAFFAR BIN AWANG (ISMAIL)	100,000	0.06	-	-
2	SEE TIN HAI	-	-	130,440,700[(a)(b)]	73.15
3	YOONG WOEI YEH	500,000	0.28	-	-
4	SEE SWEE LING	500,000	0.28	-	-
5	ONG KHENG SWEE	100,000	0.06	-	-
6	TAN SUI HUAT	100,000	0.06	-	-
7	POH BOON HUWI	-	-	-	-
8	SEE CUL WEI (Alternate Director to See Tin Hai)	-	-	-	-

Notes:

(a) Deemed interest by virtue of his/her interest in Haily Holdings Sdn Bhd pursuant to Section 8(4) of the Companies Act 2016.

(b) Deemed interest by virtue of his daughters, See Yee Wei's and See Yee Han's interests in Haily pursuant to Section 59(11)(c) of the Companies Act 2016.

NOTICE OF SECOND ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Second Annual General Meeting ("**2nd AGM**") of **HAILY GROUP BERHAD** ("**Haily**" or the "**Company**") will be held at Maharani 1 (Level 1), Impiana Hotel Senai, Jalan Impian Senai Utama 2, Taman Impian Senai, 81400 Senai, Johor on Wednesday, 25 May 2022 at 9.30 a.m. for the following purposes: -

AGENDA

AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1)**

2. To re-elect Haji Mohd Jaffar Bin Awang (Ismail), who retire by rotation pursuant to Clause 133 of the Company's Constitution. **ORDINARY RESOLUTION 1**

3. To re-elect Ms See Swee Ling, who retire by rotation pursuant to Clause 133 of the Company's Constitution. **ORDINARY RESOLUTION 2**

4. To re-elect Ms Poh Boon Huwi, a Director retiring pursuant to Clause 118 of the Company's Constitution. **ORDINARY RESOLUTION 3**

5. To approve the payment of Directors' Fees of RM223,200 for the financial year ending 31 December 2022, payable quarterly in arrears. **ORDINARY RESOLUTION 4** (Please refer to Explanatory Note 2)

6. To re-appoint Baker Tilly Monteiro Heng PLT, as Auditors of the Company for the financial year ending 31 December 2022 and to authorise the Directors to fix their remuneration. **ORDINARY RESOLUTION 5**

AS SPECIAL BUSINESS:

To consider and if thought fit, to pass the following resolution: -

7. **AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016** **ORDINARY RESOLUTION 6** (Please refer to Explanatory Note 3)

   "THAT subject always to the Companies Act 2016, the ACE Market Listing Requirements ("**ACE LR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), the Constitution of the Company and the approval of the relevant government and/or regulatory authorities, where such approval is required, the Directors be and are hereby empowered pursuant to Sections 75 and 76 of the Companies Act 2016 to issue and allot new shares in the Company at any time at such price, upon such terms and conditions, for such purposes and to such person(s) whomsoever as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution during the preceding twelve (12) months does not exceed twenty percent (20%) of the total number of issued shares of the Company for the time being and shall continue to be in force until 31 December 2022 and thereafter shall be reinstated to ten percent (10%) of the total number of issued shares of the Company for the time being as stipulated under Rule 6.04(1) of the ACE LR of Bursa Securities AND THAT such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company AND FURTHER THAT the Directors be and are hereby also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities."

8. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and/or the Companies Act 2016.

BY ORDER OF THE BOARD

IRENE JUAY YEE LUAN (MAICSA 7057249)
SSM Practicing Certificate No. 202008001193

HEW JING SIAN (MAICSA 7065968)
SSM Practicing Certificate No. 202008001325
Company Secretaries

Date: 25 April 2022

NOTICE OF SECOND ANNUAL GENERAL MEETING CONT'D

NOTES:

1. **IMPORTANT NOTICE**

   In view of the COVID-19 pandemic and further to the "Guidance and FAQs on the Conduct of General Meetings for Listed Issuers" issued by the Securities Commission, members/proxies/corporate representatives who wish to attend the 2nd AGM in person **ARE REQUIRED TO PRE-REGISTER** with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("**Share Registrar**", "**Tricor**", or "**TIIH**"), via the **TIIH Online** website at https://tiih.online not later than **Monday, 23 May 2022** at **9.30 a.m.** Please follow the Pre-Register procedures as set out in the Administrative Guide for 2nd AGM.

2. A member of the Company entitled to attend and vote is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.

3. A member of the Company may appoint not more than two (2) proxies to attend the meeting, provided that the member specifies the proportion of the member's shareholding to be represented by each proxy, failing which, the appointments shall be invalid.

4. A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.

5. Where a member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

7. The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited with the Share Registrar situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

8. Subject to the Constitution, shareholders may deposit the instrument appointing the proxy by electronics means by way of submitting the instrument with the Share Registrar via **TIIH Online** at https://tiih.online not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

9. An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.

10. In respect of deposited securities, only members whose names appear on the Record of Depositors on **17 May 2022**, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

EXPLANATORY NOTES:

Ordinary Business: -

1. **Item 1 of the Agenda**
   Audited Financial Statements for the financial year ended 31 December 2021

   This Agenda item is meant for discussion only and does not require a formal approval of the shareholders and hence, is not put forward for voting.

2. **Ordinary Resolution 4**
   Directors' Fees for the financial year ending 31 December 2022

   The proposed Ordinary Resolution 4, if passed, will facilitate the payment of Directors' fees for the financial year ending 31 December 2022, payable quarterly in arrears to the Independent Non-Executive Directors as members of the Board and Board Committees.

EXPLANATORY NOTES: Cont'd

Special Business: -

3. Ordinary Resolution 6
Authority to Issue Shares Pursuant to Sections 75 And 76 of the Companies Act 2016

As part of Bursa Securities's continuous support and assistance to listed corporation in these trying and challenging times amid the Covid-19 pandemic, Bursa Securities had on 23 December 2021 resolved to extend the implementation period of the increased general mandate of 20% for new issue of shares to 31 December 2022 and thereafter shall be reinstated to 10% as stipulated under Rule 6.04(1) of the ACE LR of Bursa Securities.

The purpose of this general mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, operational expenditure, acquisitions and/or for issuance of shares as settlement of purchase consideration and such authority shall continue to be in force until the conclusion of the next annual general meeting of the Company.

This is a new general mandate upon the listing of the Company on the ACE Market of Bursa Securities. The general mandate is to provide flexibility to the Company to issue new shares without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time.

The Board of Directors of the Company is of the view that the general mandate is in the best interest of the Company and its shareholders as the Company may use this general mandate within the validity period to meet its financial needs due to the unprecedented uncertainty surrounding the recovery of the COVID-19 pandemic and it will enable the Board to take swift action during the challenging time to ensure long term sustainability and interest of the Company and its shareholders.

At as the date of this Notice, there is no decision to issue new shares. Should there be a decision to issue new shares after the authorisation is sought, the Company will make an announcement of the actual purpose and utilisation of proceeds arising from such issuance of shares.

Voting by Poll

Pursuant to Rule 8.31A of the ACE LR of Bursa Securities, all resolutions set out in this Notice are to be voted by poll.

Haily Group

HAILY GROUP BERHAD
202001006412 (1362732-T)
(Incorporated in Malaysia)

FORM OF PROXY

CDS Account No.	
No. of Shares Held	

I/We,____,

(NRIC / Company Registration No. ____________________________________)

of (full address)____,

(email address)________________________ and (contact no.)____________________

member/members of HAILY GROUP BERHAD hereby appoint:

Name of Proxy *(Full Name)*	**NRIC No./Passport No.**	**% of Shareholding to be Represented** *(Refer to Note 3)*
Address	**Email Address**	**Contact No.**

* and/or failing him/her

Name of Proxy *(Full Name)*	**NRIC No./Passport No.**	**% of Shareholding to be Represented** *(Refer to Note 3)*
Address	**Email Address**	**Contact No.**

or failing *him/her, the Chairman of the Meeting as *my/our proxy to vote for *me/us and on *my/our behalf at the 2nd Annual General Meeting of the Company to be held at Maharani 1 (Level 1), Impiana Hotel Senai, Jalan Impian Senai Utama 2, Taman Impian Senai, 81400 Senai, Johor on Wednesday, 25 May 2022 at 9.30 a.m. and at every adjournment thereof to vote as indicated below in respect of the following Resolutions:-
** Delete where applicable.*

ORDINARY BUSINESS		**For**	**Against**
Ordinary Resolution 1	Re-election of Haji Mohd Jaffar Bin Awang (Ismail)		
Ordinary Resolution 2	Re-election of Ms See Swee Ling		
Ordinary Resolution 3	Re-election of Ms Poh Boon Huwi		
Ordinary Resolution 4	Approval of Directors' Fees		
Ordinary Resolution 5	Re-appointment of Auditors		
SPECIAL BUSINESS			
Ordinary Resolution 6	Authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016		

(Please indicate with an "X" in the space provided above on how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion)

Dated this day of 2022

……………………………………………
Signature / Common Seal of member(s)

NOTES:

1. **IMPORTANT NOTICE**
In view of the COVID-19 pandemic and further to the "Guidance and FAQs on the Conduct of General Meetings for Listed Issuers" issued by the Securities Commission, members/proxies/corporate representatives who wish to attend the 2nd AGM in person **ARE REQUIRED TO PRE-REGISTER** with the Company's Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd ("**Share Registrar**", "**Tricor**", or "**TIIH**"), via the **TIIH Online** website at https://tiih.online not later than **Monday, 23 May 2022** at **9.30 a.m.** Please follow the Pre-Register procedures as set out in the Administrative Guide for 2nd AGM.
2. A member of the Company entitled to attend and vote is entitled to appoint another person as his proxy to exercise all or any of his rights to attend, participate, speak and vote in his stead.
3. A member of the Company may appoint not more than two (2) proxies to attend the meeting, provided that the member specifies the proportion of the member's shareholding to be represented by each proxy, failing which, the appointments shall be invalid.
4. A proxy may but need not be a member and there shall be no restriction as to the qualification of the proxy.
5. Where a member is an Authorised Nominee as defined under the Securities Industry (Central Depositories) Act, 1991, it may appoint at least one (1) proxy in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
6. Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
7. The instrument appointing a proxy shall be in writing, and the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, shall be deposited with the Share Registrar situated at Unit 32-01, Level 32, Tower A, Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting at which the person named in such instrument proposes to vote, or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
8. Subject to the Constitution, shareholders may deposit the instrument appointing the proxy by electronics means by way of submitting the instrument with the Share Registrar via **TIIH Online** at https://tiih.online not less than forty-eight (48) hours before the time for holding the meeting or adjourned meeting or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.
9. An instrument appointing a proxy shall in the case of an individual, be signed by the appointor or by his attorney duly authorised in writing and in the case of a corporation, be either under its common seal or signed by its attorney or in accordance with the provision of its constitution or by an officer duly authorised on behalf of the corporation.
10. In respect of deposited securities, only members whose names appear on the Record of Depositors on **17 May 2022**, shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Voting by Poll

Pursuant to Rule 8.31A of the ACE LR of Bursa Securities, all resolutions set out in this Notice are to be voted by poll.

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Unit 32-01, Level 32
Tower A, Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
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