

TBK & SONS HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 1960

2019/20 Interim Report

The graphic design is a complex, layered composition. It features a grid of squares in various shades of blue, from light to dark. Overlaid on this grid are several circular and semi-circular patterns, some with a grid-like texture. In the lower portion, there is a stylized, light blue industrial structure with several towers and pipes, set against a white background that curves upwards from the bottom left.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tan Hun Tiong (*Chairman*)

Mr. Tan Han Peng

(*Chief executive officer*)

Non-executive Director

Ms. Chooi Pey Nee

Independent Non-executive Directors

Mr. Tan Chade Phang

Mr. Ng Chiou Gee Willy

Mr. Chu Hoe Tin

AUTHORISED REPRESENTATIVES

Mr. Tan Han Peng

Mr. Lam Wing Tai

AUDIT COMMITTEE

Mr. Chu Hoe Tin (*Chairman*)

Mr. Ng Chiou Gee Willy

Mr. Tan Chade Phang

REMUNERATION COMMITTEE

Mr. Tan Chade Phang (*Chairman*)

Mr. Ng Chiou Gee Willy

Mr. Tan Han Peng

NOMINATION COMMITTEE

Mr. Ng Chiou Gee Willy (*Chairman*)

Mr. Chu Hoe Tin

Mr. Tan Han Peng

COMPANY SECRETARY

Mr. Lam Wing Tai

REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

Lot 333, Kampung Paya

Batu 2 Jalan Seremban, Port Dickson

Negeri Sembilan, Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1903, 19/F.

West Tower

Shun Tak Centre

168–200 Connaught Road Central

Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS:

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

CORPORATE INFORMATION

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE:

Tricor Investor Services Limited

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

WEBSITE

www.tbkssb.com.my

STOCK CODE

1960

AUDITOR

BDO Limited

(Certified Public Accountants)

25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPLIANCE ADVISER

Red Sun Capital Limited

Room 3303, 33rd Floor, West Tower
Shun Tak Centre
168–200 Connaught Road Central
Hong Kong

PRINCIPAL BANKERS

CIMB Bank Berhad

1st Floor, Wisma DPMNS
Jalan Dato Bandar Tunggal
70000 Seremban
Negeri Sembilan
Malaysia

United Overseas Bank (Malaysia) Bhd

Level 7, Menara UOB
Jalan Raja Laut
50350 Kuala Lumpur
Malaysia

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of TBK & Sons Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 31 December 2019 (the “**Period**”) together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2019

	Notes	Six months ended 31 December	
		2019 Unaudited RM'000	2018 Unaudited RM'000
Revenue	5	108,837	102,489
Cost of sales		(81,963)	(77,086)
Gross profit		26,874	25,403
Other income, net		4,221	266
Administrative expenses		(6,707)	(2,688)
Finance costs	6	(461)	(542)
Listing expenses		(3,838)	(4,605)
Profit before income tax expense	7	20,089	17,834
Income tax expense	8	(5,439)	(5,684)
Profit and total comprehensive income for the period		14,650	12,150
Earnings per share			
— Basic and diluted (RM)	9	1.66 sen	1.62 sen

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	As at 31 December 2019 Unaudited RM'000	As at 30 June 2019 Audited RM'000
Non-current assets			
Property, plant and equipment	11	24,309	24,066
		24,309	24,066
Current assets			
Trade receivables, other receivables, deposits and prepayments	12	21,141	40,892
Assets held for distribution to Controlling Shareholders		–	2,101
Financial assets at fair value through profit or loss	13	5,584	–
Contract assets	14	77,202	61,258
Pledged time deposits and bank balances		9,290	7,629
Cash and cash equivalents		78,725	12,612
		191,942	124,492
Current liabilities			
Trade and other payables	15	57,582	60,156
Obligations under finance leases		–	2,774
Lease liabilities		2,991	–
Bank borrowings		6,869	3,566
Dividend payable		–	5,600
Tax payable		1,537	732
		68,979	72,828
Net current assets		122,963	51,664
Total assets less current liabilities		147,272	75,730

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Note	As at 31 December 2019 Unaudited RM'000	As at 30 June 2019 Audited RM'000
Non-current liabilities			
Amounts due to directors		–	91
Obligations under finance leases		–	4,084
Lease liabilities		4,193	–
Bank borrowings		2,795	3,014
Deferred tax liabilities		693	693
		7,681	7,882
NET ASSETS			
		139,591	67,848
Equity			
Share capital	16	5,300	–
Reserves		134,291	67,848
TOTAL EQUITY			
		139,591	67,848

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 31 December 2019

	Share capital RM'000 (Note 16)	Share premium RM'000 (Note 16)	Other reserve RM'000 (Note (a))	Merger reserve RM'000 (Note (b))	Retained profits RM'000	Total RM'000
At 1 July 2018 (audited)	–	–	1,200	400	44,768	46,368
Profit and total comprehensive income for the period	–	–	–	–	12,150	12,150
Dividend declared (Note 10)	–	–	–	–	(5,600)	(5,600)
Issue of ordinary shares by TBKS Investments	–	–	13,250	–	–	13,250
Acquisition of 50% equity interest in Prestasi Senadi by TBK	–	–	–	(2,500)	–	(2,500)
At 31 December 2018 (unaudited)	–	–	14,450	(2,100)	51,318	63,668
At 1 July 2019 (audited)	–	–	14,450	(2,100)	55,498	67,848
Profit and total comprehensive income for the Period	–	–	–	–	14,650	14,650
Issue of new shares under Share Offer (Note 16(iv))	1,325	64,925	–	–	–	66,250
Expenses attributed to issue of new shares	–	(9,157)	–	–	–	(9,157)
Capitalisation issue (Note 16(iv))	3,975	(3,975)	–	–	–	–
Issue of shares for Reorganisation (Note 16(iii))	–	–	(14,450)	14,450	–	–
At 31 December 2019 (unaudited)	5,300	51,793	–	12,350	70,148	139,591

Notes:

(a) Other reserve

Other reserve as at 31 December 2018 represented the issued share capital of Tan Bock Kwee & Sons Sdn. Bhd. (“**TBK**”) and TBKS Investments (B.V.I.) Ltd (“**TBKS Investments**”) as at 31 December 2018.

(b) Merger reserve

Merger reserve as at 31 December 2018 and 1 July 2019 represented the difference between the investment cost in Prestasi Senadi Sdn. Bhd. (“**Prestasi Senadi**”) and the amount of issued share capital of Prestasi Senadi pursuant to a group reorganisation (the “**Reorganisation**”) as at 31 December 2019 and 2018.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	Six months ended 31 December	
	2019 unaudited RM'000	2018 unaudited RM'000
Net cash generated from/(used in) operating activities	15,043	(8,700)
Investing activities		
Payment for the purchase of property, plant and equipment	(195)	(284)
Payment for the investment in financial assets at fair value through profit or loss	(5,130)	–
Movements in restricted bank balances	–	6,244
Other cash flows arising from investing activities	(1,565)	6
Net cash (used in)/generated from investing activities	(6,890)	5,966
Financing activities		
Interest paid on bank borrowings	(225)	(251)
Interest paid on obligations under finance leases and lease liabilities	(211)	(185)
Proceeds from bank borrowings	9,648	5,016
Repayment of bank borrowings	(7,531)	(1,716)
Repayment of obligations under finance leases and lease liabilities	(1,690)	(2,424)
Decrease in amounts due to directors	(91)	(15)
Proceeds from issue of new share under Share Offer	66,250	–
Expenses attributed to issue of new shares	(9,157)	–
Proceeds from issue of ordinary shares by TBKS Investments	–	5,300
Net cash generated from financing activities	56,993	5,725

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 31 December 2019

	Six months ended 31 December	
	2019 unaudited RM'000	2018 unaudited RM'000
Net increase in cash and cash equivalents	65,146	2,991
Cash and cash equivalents at beginning of period	12,612	4,673
Cash and cash equivalents at end of period	77,758	7,664
Analysis of cash and cash equivalents		
Cash and bank balances	78,725	11,245
Bank overdrafts	(967)	(3,581)
	77,758	7,664

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

1. GENERAL INFORMATION AND REORGANISATION

(a) General information

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 November 2018 under the Companies law of the Cayman Islands. The address of the Company's registered office is at the offices of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. Its address of principal place of business in Hong Kong and Malaysia are located at Unit 1903, 19/F., West Tower, Shun Tak Centre, 168–200 Connaught Road Central, Hong Kong and Lot 333, Kampung Paya, Batu 2 Jalan Seremban, Port Dickson, Negeri Sembilan, Malaysia, respectively. On 30 September 2019 (the "**Listing Date**"), the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of share offer (the "**Share Offer**").

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of civil and structural works ("**Listing Business**"). The ultimate holding company of the Company is TBK & Sons International Limited ("**TBKS International**") which is incorporated in the British Virgin Islands.

(b) Reorganisation

Pursuant to the Reorganisation in preparation for the listing of the Company's shares on the Stock Exchange ("**Listing**") as set out in the section headed "History, Development and Reorganisation — Corporate Structure of the Group" in the prospectus (the "**Prospectus**") of the Company dated 16 September 2019, the Company became the holding company of the subsidiaries now comprising the Group on 5 September 2019.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation

(a) *Statement of compliance*

The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reports issued by the International Accounting Standards Board and the applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

(b) *Basis of measurement*

The condensed consolidated financial statements have been prepared under the historical cost basis except for the measurement of dividend payable arising from distribution of non-cash assets to Controlling Shareholders and financial assets at fair value through profit or loss.

2.2 Basis of presentation

Prior to the Reorganisation, Mr. Tan Hun Tiong and Mr. Tan Han Peng, who are brothers, (collectively referred to as the “**Controlling Shareholders**”, who owned 70% and 30% equity interest in TBK, respectively) have been managing and controlling TBK and Prestasi Senadi on a collective basis on all decisions, including but not limited to, financial, management and operational matters, of TBK and Prestasi Senadi. Further, on 18 June 2018, TBK entered into a Sale and Purchase Agreement with each of the Controlling Shareholders to acquire 400,000 ordinary shares representing 50% of the issued share capital of Prestasi Senadi for a cash consideration of RM2,500,000. On 26 July 2018, the transfer of shares was completed and Prestasi Senadi which was then 50% owned by each of TBK and the Controlling Shareholders became a wholly-owned subsidiary of TBK. Prestasi Senadi is accounted for as a wholly-owned subsidiary of the Company throughout the year ended 30 June 2019 as the acquisition of 50% equity interest in Prestasi Senadi by TBK is a transaction among companies under common control by the Controlling Shareholders.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

2. BASIS OF PREPARATION AND PRESENTATION *(Continued)*

2.2 Basis of presentation *(Continued)*

Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 5 September 2019. The Reorganisation only involved the insertion of the Company, TBKS Investments and TBKS Holding Sdn. Bhd. ("**TBKS Holding**") as new intermediate holding companies above the operating subsidiaries which are TBK and Prestasi Senadi. The Company, TBKS Investments and TBKS Holding have not been involved in any other business prior to the Reorganisation and their operations do not meet the definition of business. The Reorganisation is merely a reorganisation of the Listing Business and does not result in any changes in business substance. Accordingly, the consolidated financial statements of the companies now comprising the Group is presented using the carrying value of the Listing Business for all periods presented.

No amount is recognised as consideration for goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of consolidation.

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows are prepared as if the current group structure had been in existence throughout the year ended 30 June 2019 taking into account the respective dates of incorporation of companies. The consolidated statement of financial position as at 30 June 2019 presents the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at 30 June 2019 taking into account the respective dates of incorporation of companies.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

2. BASIS OF PREPARATION AND PRESENTATION *(Continued)*

2.2 Basis of presentation *(Continued)*

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2019, except for the adoption of IFRS 16 as disclosed in Note 3(c) to the condensed consolidated financial statements.

The preparation of the condensed consolidated financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements for the year ended 30 June 2019, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2019 (the "**2019 Financial Statements**").

All significant intergroup transactions and balances have been eliminated on consolidation.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

3. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARD (“IFRSs”)

(a) Adoption of new or revised IFRSs

In the current Period, the Group has adopted all the new or revised IFRSs which are effective for the annual period beginning on or after 1 July 2019 and relevant to the Group. Except described below, the adoption of these new or revised IFRSs had no significant impact on the results and financial position of the Group.

IFRS 16 — Leases

In January 2016, the IASB issued IFRS 16, which provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessors and lessees. The new standard maintains substantially the lessor accounting requirements in the current standard.

A lessee is required to recognise a right-of-use asset and a lease liability at the commencement of lease arrangement. Right-of-use asset includes the amount of initial measurement of lease liability, any lease payment made to the lessor at or before the lease commencement date, estimated cost to be incurred by the lessee for dismantling or removing the underlying assets from and restoring the site, as well as any other initial direct cost incurred by the lessee. Lease liability represents the present value of the lease payments. Subsequently, depreciation and impairment expenses, if any, on the right-of-use asset will be charged to profit or loss following the requirements of IAS 16 Property, Plant and Equipment, while lease liability will be increased by the interest accrual, which will be charged to profit or loss, and deducted by lease payments. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. For lessor, there is little change to the existing accounting in IAS 17 Leases.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

3. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARD ("IFRSs") *(Continued)*

(a) Adoption of new or revised IFRSs *(Continued)*

IFRS 16 — Leases (Continued)

The Group has applied IFRS 16 using the cumulative effect approach and recognise all the cumulative effect (if any) of initially applying IFRS 16 as an adjustment to the opening balance of equity at the date of initial application at 1 July 2019. Comparative information has not been restated and continue to be reported under IAS 17.

The Group applied the following practical expedients: (i) the exemption of not to recognise right-of-use assets and lease liabilities for lease with term that will end within 12 months from the date of initial application at 1 July 2019 and accounted for those leases as short-term leases; (ii) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and (IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (iii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and (IFRIC)-Int 4.

The Group has also leased some of its plant, machinery and motor vehicles which previously were classified as finance leases under IAS 17. As the Group has elected to adopt the cumulative effect approach over the adoption of IFRS 16, for those finance leases under IAS 17, the right-of-use assets and the corresponding lease liabilities as at 1 July 2019 were the carrying amount of the lease assets and lease liabilities under IAS 17 immediately before that date. For those leases, the Group has accounted for the right-of-use assets of approximately RM9,507,000 and the lease liabilities of approximately RM6,858,000 applying IFRS 16 from 1 July 2019.

The adoption of IFRS 16 as compared with the accounting policy under IAS 17 did not have any material impact on the Group's results and financial position as the Group entered into lease arrangements as lessors and lessees of short term operating leases with no lease commitments as at 30 June 2019 and lessees under finance leases under the accounting standard IAS 17.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

3. ADOPTION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARD ("IFRSs") *(Continued)*

(b) New or revised IFRSs that have been issued but are not yet effective

The following new or revised IFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IFRS 3	Definition of a Business ¹
Amendments to IAS 1 and IAS 8	Definition of Material ²
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting ²

- ¹ Effective for business combination for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
- ² Effective for annual periods beginning on or after 1 January 2020

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

4. SEGMENT REPORTING

The Group is principally engaged in civil and structural works.

One of the executive directors of the Company has been identified as the chief operating decision-maker (“**CODM**”) of the Group who reviews the Group’s internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

(a) Reportable segment

The Group has arrived at three reportable segments summarised as follows:

- (i) Site preparation works projects
- (ii) Civil works projects
- (iii) Building works projects

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies as set out in the 2019 Financial Statements and Note 3(a) to the condensed consolidated financial statements.

The CODM assesses performance of the operating segments on the basis of gross profit.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

4. SEGMENT REPORTING *(Continued)*

(a) Reportable segment *(Continued)*

There were no separate segment assets and segment liabilities information provided to the CODM, as CODM does not use this information to allocate resources and evaluate the performance of the operating segments.

For the six months ended 31 December 2019	Site preparation works projects Unaudited RM'000	Civil works projects Unaudited RM'000	Building works projects Unaudited RM'000	Total Unaudited RM'000
Revenue				
Revenue from external customers	151	102,752	5,934	108,837
Segment cost of sales	(107)	(77,267)	(4,589)	(81,963)
Gross profit	44	25,485	1,345	26,874
Other income, net				4,221
Administrative expenses				(6,707)
Finance costs				(461)
Listing expenses				(3,838)
Profit before income tax expense				20,089
Income tax expense				(5,439)
Profit for the Period				14,650

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

4. SEGMENT REPORTING *(Continued)*

(a) Reportable segment *(Continued)*

For the six months ended 31 December 2018	Site preparation works projects Unaudited RM'000	Civil works projects Unaudited RM'000	Building works projects Unaudited RM'000	Total Unaudited RM'000
Revenue				
Revenue from external customers	–	85,258	17,231	102,489
Segment cost of sales	–	(64,544)	(12,542)	(77,086)
Gross profit	–	20,714	4,689	25,403
Other income				266
Administrative expenses				(2,688)
Finance costs				(542)
Listing expenses				(4,605)
Profit before income tax expense				17,834
Income tax expense				(5,684)
Profit for the period				12,150

(b) Geographical information

The Group's operations are located in Malaysia. The geographical location of the Group's non-current assets is substantially situated in Malaysia.

All of the Group's revenue from external customers is attributed to the group entities' place of domicile (i.e. Malaysia).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

4. SEGMENT REPORTING *(Continued)*

(c) Major customers

Details of customers who generated 10% or more of the Group's revenue for the period are as follows:

For the six months ended 31 December 2019	Site preparation works projects	Civil works projects	Building works projects	Total
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Customer D	N/A	59,429	N/A	59,429
Customer E	N/A	22,200	N/A	22,200
Customer F	N/A	13,669	N/A	13,669

For the six months ended 31 December 2018	Site preparation works projects	Civil works projects	Building works projects	Total
	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000	Unaudited RM'000
Customer A	N/A	454	17,231	17,685
Customer D	N/A	79,286	N/A	79,286

Note: N/A represents that the amounts of revenue from such customer is less than 10% of total revenue for reporting periods.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

5. REVENUE

Revenue represents the amounts received and receivable for civil and structural works rendered by the Group to customers.

An analysis of the Group's revenue is as follows:

	Six months ended 31 December	
	2019 Unaudited RM'000	2018 Unaudited RM'000
<i>Recognised over time</i>		
Contract revenue	108,837	102,489

Civil and structural works represent performance obligations that the Group satisfies over time for each respective contract. The period of civil and structural works varies from 1 to 3 years.

Transaction price allocated to the remaining performance obligations

The following table shows the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied (or partially unsatisfied) as at the end of each reporting period.

	As at 31 December	
	2019 Unaudited RM'000	2018 Unaudited RM'000
Provision of civil and structural works	62,407	262,772

Based on the information available to the Group as at the end of each reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as at 31 December 2019 and 2018 will be recognised as revenue during the years ended 30 June 2019 to 30 June 2024 in respect of provision of civil and structural works.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

6. FINANCE COSTS

	Six months ended 31 December	
	2019 Unaudited RM'000	2018 Unaudited RM'000
Interest on:		
— bank overdrafts	25	106
— term loans	111	142
— obligations under finance leases	—	185
— interest element of lease liabilities	211	—
— banker's acceptances	114	109
	461	542

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

7. PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended 31 December	
	2019 Unaudited RM'000	2018 Unaudited RM'000
Profit before income tax expense is arrived at after charging/(crediting):		
Rental of plant and machinery under short term leases	1,141	1,465
Depreciation of property, plant and equipment	218	1,535
Depreciation of right-of-use assets	1,750	–
Fair value gain on financial assets at fair value through profit or loss	(454)	–
Gain on settlement of distribution-in-specie to Controlling Shareholders (Note 10)	(3,499)	–
Employee benefits expenses (including directors' and chief executive's emoluments):		
— Wages, salaries and other benefits	11,731	7,830
— Contributions to defined contribution plans	525	416
Total employee costs	12,256	8,246
Less: amounts included in cost of sales	(7,988)	(7,284)
	4,268	962

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

8. INCOME TAX EXPENSE

The amount of income tax expense in the condensed consolidated statements of profit or loss and other comprehensive income represents:

	Six months ended 31 December	
	2019 RM'000	2018 RM'000
Malaysian corporate income tax — provision for the period	5,439	5,722
Deferred tax — current period	—	(38)
Income tax expense	5,439	5,684

Pursuant to the rules and regulations of the Cayman Islands, the Company is not subject to any income tax in the Cayman Islands.

TBK and Prestasi Senadi each with paid up capital below RM2,500,000 can enjoy lower corporate income tax rate in Malaysia of 17% and 18% respectively on the first taxable profit of RM500,000 for the six months ended 31 December 2019 and 2018 and 24% on the taxable profit in excess of RM600,000 and RM500,000 for the six months ended 31 December 2019 and 2018 respectively.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

9. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the owners of Company is based on the following data:

	Six months ended 31 December	
	2019 Unaudited RM'000	2018 Unaudited RM'000
Earnings		
Profit for the period attributable to owners of the Company	14,650	12,150
Number of shares		
Weighted average number of ordinary shares	880,434,782	750,000,000

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the six months ended 31 December 2018 was based on 750,000,000 ordinary shares, representing the number of ordinary shares of the Company immediately after the capitalisation issue of 749,999,900 new shares (the "**Capitalisation Issue**") as disclosed in the Prospectus, as if all these shares had been in issue throughout the six months ended 31 December 2018.

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the Period included the weighted average number of shares pursuant to the Share Offer of 250,000,000 shares, in addition to the aforementioned Capitalisation Issue.

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the six months ended 31 December 2019 and 2018.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2019 and 2018.

On 24 December 2018, TBK declared an interim dividend of RM5,600,000 to the Controlling Shareholders to be settled in the form of a distribution-in-specie of two parcels of freehold land ("**Distributed Lands**") owned by the Group and pledged with a bank for banking facilities granted. The amount of dividend payable of RM5,600,000 was initially recognised based on the independent professional valuation of the Distributed Lands (determined using market comparison approach) as at 30 November 2018, which was unchanged as at 30 June 2019 based on the independent professional valuation of the Distributed Lands as at 30 June 2019. Pending release of the bank charges, the titles of the Distributed Lands have not yet been transferred to the Controlling Shareholders and the carrying amount of the Distributed Lands amounted to RM2,101,000 was classified as assets held for distribution to Controlling Shareholders in the consolidated statement of financial position as at 30 June 2019. On 19 July 2019, the distribution-in-specie was settled. The difference of RM3,499,000 between the carrying amount of the Distributed Lands of RM2,101,000 and the carrying amount of dividend payable at the date of settlement was recognised in profit or loss. The rate of dividend and the number of shares ranking for dividend are not presented as such information is not meaningful having regard to the purpose of the unaudited condensed consolidated financial statements.

11. PROPERTY, PLANT AND EQUIPMENT

During the Period, the Group acquired items of property, plant and equipment with cost of approximately RM0.2 million (six months ended 31 December 2018: RM1.2 million) and did not dispose of items of property, plant and equipment (31 December 2018: nil). The Group has leased certain property, plant and equipment of approximately RM9.5 million which previously were classified as finance leases under IAS 17. Such property, plant and equipment were reclassified as right-of-use assets upon adoption of IFRS 16 from 1 July 2019. During the Period, the Group acquired items of right-of-use assets of approximately RM2.0 million (six months ended 31 December 2019: nil).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

12. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December 2019 Unaudited RM'000	As at 30 June 2019 Audited RM'000
Trade receivables	19,679	37,725
Less: Allowance for impairment losses	(103)	(189)
	19,576	37,536
Advances paid to subcontractors and suppliers	104	277
Other receivables	102	132
Deposits	436	354
Prepayments	923	2,593
	21,141	40,892

Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 days to 45 days from date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

12. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS *(Continued)*

The ageing analysis of trade receivables, based on invoice dates, as at 31 December 2019 and 30 June 2019 are as follows:

	As at 31 December 2019 Unaudited RM'000	As at 30 June 2019 Audited RM'000
1 to 90 days	17,184	35,475
91 to 180 days	2,491	1,810
Over 180 days	4	440
	19,679	37,725

Trade receivables are not secured by any collateral or credit enhancements. No interest is charged on outstanding trade receivables.

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

The above comprises:

	31 December 2019 Unaudited RM'000	30 June 2019 Audited RM'000
Listed shares in Hong Kong	4,372	–
Gold bullion	1,212	–
	5,584	–

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS *(Continued)*

They are measured at Level 1 of fair value hierarchy under IFRS 13 Fair value measurement. The level into which a fair value measurement is classified is determined based on the observability and significance of the inputs used in the valuation technique.

The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur. Level 1 fair value measurement is based on unadjusted inputs i.e. quoted prices in active markets for identical assets and liabilities at the measurement date. During the six months ended 31 December 2019 and 2018, there were no transfers between Level 1 and Level 2 or transfer into or out of Level 3.

14. CONTRACT ASSETS

	As at 31 December 2019 Unaudited RM'000	As at 30 June 2019 Audited RM'000
Contract assets	77,202	61,258

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

14. CONTRACT ASSETS *(Continued)*

As at 31 December 2019 and 30 June 2019, contract assets of RM39,171,000 and RM30,330,000, respectively relate to the Group's right to consideration for work completed and not billed because the rights are conditional on the Group's future performance in satisfying the respective performance obligations at the reporting date in respect of civil and structural works contracts. The balances as at 31 December 2019 and 30 June 2019 increased since there were more projects in construction stage and more unbilled amounts noted on the initial costs.

As at 31 December 2019 and 30 June 2019, retention money for contract works amounted to RM38,031,000 and RM30,928,000, respectively, are included in contract assets. Retention money is part of the consideration that the customers retain which is payable on successful completion of the contracts in order to provide the customers with assurance that the Group will complete its obligation satisfactorily under the contracts, rather than to provide financing to the customers. Retention money is unsecured, interest-free and recoverable at the end of the defects liability period of individual contracts. Retention money as at 31 December 2019 and 30 June 2019 increased since there were more projects in construction stage. The retention money is to be settled, based on the completion of defects liability period at the end of each reporting period as follows:

	As at 31 December 2019 Unaudited RM'000	As at 30 June 2019 Audited RM'000
Within one year	14,559	45
After one year	23,472	30,883
	38,031	30,928

The Group considered that the expected credit losses for contract assets are negligible based on credit history of the related customers.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

15. TRADE AND OTHER PAYABLES

	As at 31 December 2019 Unaudited RM'000	As at 30 June 2019 Audited RM'000
Trade payables	51,190	53,183
Retention payables	2,171	1,007
Accruals	4,187	5,902*
Other payables	34	64
	57,582	60,156

* Including accrued listing expenses of RM2,762,000.

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 0 day to 60 days from the date of invoice.

The ageing analysis of trade payables, based on invoice dates, as at 31 December 2019 and 30 June 2019 are as follows:

	As at 31 December 2019 Unaudited RM'000	As at 30 June 2019 Audited RM'000
Within 30 days	32,418	7,300
31 to 60 days	4,574	4,347
61 to 90 days	549	11,679
Over 90 days	13,649	29,857
	51,190	53,183

Retention payables to subcontractors of contract works are interest-free and payable by the Group after the completion of maintenance period of the relevant contracts or in accordance with the terms specified in the relevant contracts.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

16. SHARE CAPITAL

	Number	Amount HK\$	Amount RM'000
Ordinary shares of par value of HK\$0.01 each			
Authorised			
Upon incorporation and at 30 June 2019 (Note (i))	38,000,000	380,000	201
Increase in authorised share capital (Note (ii))	9,962,000,000	99,620,000	52,799
At 31 December 2019	10,000,000,000	100,000,000	53,000

Ordinary shares of par value of
HK\$0.01 each

Issued and fully paid

Issue of Share upon incorporation and at 30 June 2019 (Note (i))	1	0.01	*
Issue of Shares for Reorganisation (Note (iii))	99	0.99	*
Issue of Shares for Share Offer (Note (iv))	250,000,000	2,500,000	1,325
Issue of Shares for Capitalisation Issue (Note (iv))	749,999,900	7,499,999	3,975
At 31 December 2019	1,000,000,000	10,000,000	5,300

* Represents amount less than RM1,000

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

16. SHARE CAPITAL *(Continued)*

Notes:

- (i) The Company was incorporated in the Cayman Islands on 8 November 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares (the “**Shares**”) with a par value of HK\$0.01 per Share. On 8 November 2018, one fully-paid Share was allotted to the initial subscriber which was transferred to TBKS International on the same date. As the issued share capital of the Company is HK\$0.01 (RM nil) as at 30 June 2019, share capital is presented as nil in the condensed consolidated statement of financial position as at 30 June 2019;
- (ii) On 5 September 2019, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 Shares to HK\$100,000,000 divided into 10,000,000,000 Shares by the creation of additional 9,962,000,000 Shares which rank pari passu in all respects with the Shares in issue on 5 September 2019;
- (iii) On 5 September 2019, the Company allotted and issued 79 Shares and 20 Shares with a par value of HK\$0.01 per Share to TBKS International and Victory Lead Ventures Limited respectively which were credited as fully paid as consideration for the transfer of their entire shareholdings interest in TBKS Investments to the Company; and
- (iv) On 27 September 2019, the Company allotted and issued a total of 250,000,000 Shares of HK\$0.01 each at a price of HK\$0.5 per Share as a result of the completion of the Share Offer. The gross proceeds from Share Offer of RM66.3 million (or HK\$125 million equivalent) representing the par value of approximately RM1.3 million (or HK\$2.5 million equivalent) was credited to the Company’s share capital, and share premium of approximately RM65.0 million (or HK\$122.5 million equivalent), which can be used for deduction of share issuance expense. After the share premium account of the Company being credited as a result of the Share Offer, RM3,975,000 (or HK\$7,499,999 equivalent) was capitalised from the share premium account and applied in paying up in full at par 749,999,900 new Shares for allotment and issue to shareholders whose names appear on the register of members of the Company at the close of business on 5 September 2019 in proportion to their respective shareholdings.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

17. RELATED PARTY TRANSACTIONS

- (a) Save for the transactions and balances as below, the Group had no other material transactions with related parties during the six months ended 31 December 2019 and for the year ended 30 June 2019.
- i. As at 31 December 2019 and 30 June 2019, obligations under finance leases were secured by joint and several guarantees by the Controlling Shareholders. The guarantees by Controlling Shareholders were in the process of being released and replaced by corporate guarantees to be provided by the Company.
 - ii. As at 31 December 2019, term loans under bank borrowings were secured by joint and several guarantee by the Controlling Shareholders of RM1,127,000 (30 June 2019: RM1,127,000).
 - iii. As at 31 December 2019, bank overdrafts were secured by joint and several guarantees by the Controlling Shareholders of RM32,327,000 (30 June 2019: RM32,327,000) and guarantee by a company under the control of the Controlling Shareholders of RM250,000 (30 June 2019: RM250,000).
 - iv. The amounts due to directors were non-trade in nature, unsecured, interest-free and not repayable with the next twelve months. The amounts due to directors as at 30 June 2019 have been fully settled before Listing.
 - v. As at 31 December 2019, the performance guarantees were secured against joint and several guarantees by the Controlling Shareholders of RM31,222,000 (30 June 2019: RM31,222,000).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2019

17. RELATED PARTY TRANSACTIONS *(Continued)*

(b) Compensation of key management

Remuneration of key management personnel, who are directors of the Company, during the periods were as follows:

	Note	Six months ended 31 December	
		2019 Unaudited RM'000	2018 Unaudited RM'000
Salaries and other benefits		3,067	547
Contributions to defined contribution plans		71	66
		3,138	613

18. EVENTS AFTER THE REPORTING PERIOD

There are no material events requiring disclosure took place subsequent to 31 December 2019 and up to the date of this report.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a civil and structural works contractor undertaking civil and structural works in the oil and gas industry in Malaysia. The Shares of the Company were successfully listed on the Main Board of the Stock Exchange on 30 September 2019. The Listing marked a milestone for strengthening our corporate profile, which has not only allowed the Group to access the capital market for fund raising but also enhanced the credibility of the Group with suppliers and customers and other business partners, as well as the Group's ability to recruit, motivate and retain key management personnel. We believe that the net proceeds from the Listing will assist the implementation of the Group's future development and business strategies as set out in the Prospectus.

BUSINESS REVIEW

The Group is registered with a Construction Industry Development Board of Malaysia (the "CIDB") Grade G7 qualification in Category CE (Civil Engineering Construction), Category B (Building Construction) and Category ME (Mechanical and Electrical), which is the highest possible contractor licence under the CIDB and allows the Group to undertake civil and structural works of unlimited tender/contract value. Our civil and structural works services generally involve (i) site preparation works; (ii) civil works; and (iii) building works in the oil and gas industry.

The following table sets forth the breakdown of the revenue by nature of works for the six months ended 31 December 2018 and 2019:

	For the six months ended 31 December			
	2018		2019	
	RM'000	approximately %	RM'000	approximately %
Site preparation projects	–	–	151	0.1
Civil works projects	85,258	83.2	102,752	94.4
Building works projects	17,231	16.8	5,934	5.5
	102,489	100.0	108,837	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's revenue increased by approximately 6.2% from approximately RM102.5 million for the six months ended 31 December 2018 to approximately RM108.8 million for the Period, which was the combined results of (i) the increase in revenue from civil works projects by approximately RM17.5 million; and (ii) partially offset by the decrease in revenue from building works projects by approximately RM11.3 million.

Site preparation works projects

There was no revenue recorded during the six months ended 31 December 2018 since all the projects were completed then and there was no new project secured. Revenue from site preparation works projects for the Period was approximately RM0.2 million, deriving from a new project started and completed in the year 2019.

Civil works projects

Revenue from civil works project increased from approximately RM85.3 million for the six month ended 31 December 2018 to approximately RM102.8 million for the Period, representing an increase of approximately 20.5%.

Such increase was mainly attributed to Project 13 which recorded higher revenue during the Period as compared to the six months ended 31 December 2018, and Project 20 and 22 (described below). For the six months ended 31 December 2018, revenue from civil works was mainly derived from Project 11. Revenue for Project 11 (described below) was lower during the Period as the Pengerang Integrated Complex was poised for its refinery start-up and Project 11 was close to completion.

Building works projects

Revenue from building works projects decreased from approximately RM17.2 million for the six months ended 31 December 2018 to approximately RM5.9 million for the Period, representing a decrease of approximately 65.6%. The decrease was attributable to the completion of Project 4 (as stated in the 2019 Financial Statement) before the Period, set-off against the revenue generated by Project 19 during the Period.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

The Group aims to strengthen its market position in the civil and structural works and service industry in Malaysia by expanding its market share through undertaking more large-scale projects.

During the past two decades, Malaysia has heavily invested in refining activities and can now meet most of its demand for petroleum products with domestic supplies at 8 facilities. As part of Malaysia's goal to compete with the oil refining and storage hub in Singapore, Malaysian government has allocated 20,000 acres of land for Pengerang Integrated Petroleum Complex ("**PIPC**") with scheduled completion in 2035. Pengerang Integrated Complex ("**PIC**"), forming the first phase of the PIPC, houses the Refinery and Petrochemical Integrated Development ("**RAPID**") and other associated facilities. RAPID, a major project under PIC with a capacity of 300,000 barrels per day, owns a combined production capacity of more than 3 million tonnes per annum of Petroleum Complex products per year and is anticipated to be completed in 2019 or 2020. Meanwhile, the Pengerang Maritime Industrial Park within the masterplan of PIPC is a ten-year reclamation project for an area of 1,672.8 acres and is designed to include downstream support activities and facilities to complement RAPID. By mid-2018, only 100 acres of land has completed site preparatory works with 1,572.8 acres to be reclaimed till 2026, which will drive the demand for civil and structural works.

The Group anticipates the aforementioned development, in particular the PIPC, will continue to generate demand for civil and structural works for oil and gas facilities in order to meet the growing demands from the oil and gas industry in Malaysia. However, as indicated by Petronas in its Activity Outlook 2020–2022 released in December 2019, "The outlook for the industry remains challenging. This is driven by geopolitical upheavals, prolonged trade tensions, and a global economic slowdown resulting in demand disruptions. Given the persistent market volatility, the challenging landscape would require Petronas and all its partners to continue to be conscious in managing costs, implement activity levelling to sustain offshore activities and pursue innovative solutions to unlock value in our supply chain". Such uncertainty in the oil and gas industry has affected the work supplies for local contractors like the Group. Against this backdrop, there is a possibility that the revenue for second half of financial year 2020 may be lower than this Period.

MANAGEMENT DISCUSSION AND ANALYSIS

For longer term, the Group envisages that there would still be considerable business opportunities and growth drivers in PIPC including RAPID and maintenance and works on existing facilities. To broaden its revenue base, the Group has also started to explore opportunities beyond Malaysia. The Group will strive to strengthen its market position and increase its overall capacity and capability in performing civil and structural works in the oil and gas industry.

Projects on hand

As at the 31 December 2019, the Group had 9 (30 June 2019: 12) projects on hand (including projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced). A summary of the projects on hand is set out below:

Project	Particulars and location	Type of works	PIPC/ Non-PIPC projects	Commencement date	Expected completion date
Project 1	A refinery at Port Dickson	Civil works	Non-PIPC	May 2013	August 2023
Project 11	A refinery at Pengerang	Civil works	PIPC	October 2017	April 2020
Project 13	A refinery at Melaka	Civil works	Non-PIPC	March 2018	July 2020
Project 18	Petro-chemical plants in East Malaysia	Civil works	Non-PIPC	March 2019	February 2022
Project 19	A refinery at Pengerang	Civil and Building works	PIPC	April 2019	July 2020
Project 20	A tank farm facilities expansion at Tg Bin	Civil works	Non-PIPC	May 2019	June 2020
Project 22	A refinery at Port Dickson	Civil works	Non-PIPC	November 2019	June 2020
Project 23	A refinery at Pengerang	Building	PIPC	December 2019	April 2020
Project 24	A tank farm facilities at Tg Bin	Building	Non-PIPC	January 2020	October 2020

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 6.2% from approximately RM102.5 million for the six months ended 31 December 2018 to approximately RM108.8 million for the Period, which was a combined results of (i) the increase in revenue from civil works projects by approximately RM17.5 million; and (ii) partially offset by the decrease in revenue from building works projects by approximately RM11.3 million.

Cost of sales

The Group's cost of sales mainly comprises cost of direct materials, subcontracting charges, direct labour. The following table sets out the breakdown of the Group's direct costs during the six months ended 31 December 2018 and 2019:

	For the six months ended 31 December			
	2018		2019	
	RM'000	approximately %	RM'000	approximately %
Direct materials	16,711	21.7	15,242	18.6
Subcontracting charges	46,898	60.8	52,797	64.4
Direct labour	7,341	9.5	8,033	9.8
Rental of machinery and equipment	1,465	1.9	1,141	1.4
Depreciation	1,147	1.5	1,455	1.8
Other costs	3,524	4.6	3,295	4.0
Total	77,086	100.0	81,963	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

The Group's cost of sales during the Period mainly comprised:

- (a) direct materials, which mainly represent direct costs for the purchase of construction materials, such as sand, steel, concrete, wood and fuel, that are directly attributable to the project works;
- (b) subcontracting charges, which represent fees and charges paid to or payable to subcontractors who provide civil works, site preparation works and/or building works at project sites;
- (c) direct labour, which represents remuneration to employees directly attributable to the projects; and
- (d) other costs, which include various miscellaneous expenses such as transportation fee, safety consultancy fee and insurance expenses for the Group's projects.

The Group's cost of sales increased from approximately RM77.1 million for the six months ended 31 December 2018 to approximately RM82.0 million for the Period, representing an increase of approximately 6.4% which is in line with increase in revenue.

The increase in cost of sales was mainly attributable to increase in the use of subcontractor during the Period as a result of the increased activities which is in line with the increase in revenue.

Consumption of direct materials and their costs may vary from project to project, as (i) the consumption of raw materials varies according to different types of works performed; and (ii) the cost of direct materials may be agreed to be borne by the Group or by its customers or subcontractors depending on the contract terms with different customers and subcontractors, resulting in fluctuations in the proportions of these costs from project to project.

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit and gross profit margin

In line with the increase in revenue, the Group's gross profit increased from approximately RM25.4 million to RM26.9 million for the six months ended 31 December 2018 and 2019, respectively, representing an increase of approximately 5.9%. With combined effects of revenue and costs of sales, the Group's gross profit margin slightly decreased from approximately 24.8% to 24.7% for the six months ended 31 December 2018 and 2019, respectively.

Administrative expenses

The Group's administrative expenses increased from approximately RM2.7 million for the six months ended 31 December 2018 to approximately RM6.7 million for the Period. Such increase was mainly attributable to (i) the increase in staff costs; and (ii) the increase in depreciation of property, plant and equipment and right-of-use assets. The administrative expenses of the Group primarily consist of depreciation, staff costs, repair and maintenance and legal and professional fees and other charges.

Finance costs

Finance costs represented interest on bank overdrafts, term loans, obligations under finance leases, lease liabilities and banker's acceptances. For the six months ended 31 December 2018 and 2019, the Group recorded finance costs of approximately RM0.5 million and RM0.4 million, respectively.

Listing expenses

The Group's estimated listing expenses primarily consist of professional fees and underwriting commission, in relation to the Listing. The listing expenses were estimated to be approximately HK\$40.0 million, of which approximately HK\$17.3 million (or RM9.2 million equivalent) was directly attributable to the issue of new Shares and deducted from equity in accordance with the relevant accounting standards. The remaining amount of approximately HK\$15.5 million (or RM8.2 million equivalent) and HK\$7.2 million (or RM3.8 million equivalent) were chargeable to the consolidated statements of profit or loss and other comprehensive income for the year ended 30 June 2019 and for the Period, respectively.

During the Period, the listing expenses were approximately RM3.8 million (2018: RM4.6 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Income tax expense

The Group was subject to Malaysian corporate income tax for its operation in Malaysia. Certain subsidiaries with paid up capital below RM2.5 million can enjoy lower corporate income tax rate in Malaysia of 18.0% and 17.0% respectively on the first taxable profit of RM0.5 million for the six months ended 31 December 2018 and 2019, while a corporate income tax rate of 24.0% is charged on the taxable profit in excess of RM0.5 million and RM0.6 million for the six months ended 31 December 2018 and 2019 respectively.

The Group's income tax expense was approximately RM5.7 million and RM5.4 million for the six months ended 31 December 2018 and 2019, respectively.

Profit and total comprehensive income and Earnings per share

As a result of the foregoing, the Group's profit and total comprehensive income was approximately RM12.2 million and RM14.7 million for the six months ended 31 December 2018 and 2019, respectively. Earnings per share was approximately RM1.62 sen and RM1.66 sen for the six months ended 31 December 2018 and 2019.

Key Financial Ratio

	Note	As at 30 June 2019	As at 31 December 2019
Current ratio (times)	1	1.7	2.8
Quick ratio (times)	2	1.7	2.8
Gearing ratio (%)	3	19.9	12.1

Notes:

1. Current ratio is total current assets divided by total current liabilities.
2. Quick ratio is total current assets less inventories divided by total current liabilities.
3. Gearing ratio is total debt (i.e. sum of all obligations under finance leases, lease liabilities, borrowings and amounts due to Directors) divided by total equity and multiplied by 100%.

MANAGEMENT DISCUSSION AND ANALYSIS

Liquidity, Financial Resources and Capital Structure

As at 31 December 2019,

- a. the Company's issued capital was RM5.3 million (or HK\$10 million equivalent) and the number of its issued ordinary shares was 1,000,000,000 shares of HK\$0.01 each.
- b. the Group had total pledged time deposits and bank balances as well as cash and cash equivalents of approximately RM9.3 million (30 June 2019: RM7.6 million) and approximately RM78.7 million (30 June 2019: RM12.6 million) respectively, most of which were denominated in Hong Kong dollars (HK\$) and Malaysian Ringgit (RM).
- c. the Group had lease liabilities and bank borrowings of approximately RM7.2 million (30 June 2019: obligations under finance leases of RM6.9 million) and RM9.7 million (2019: RM6.6 million) respectively. All of the finance leases, lease liabilities and bank borrowings were denominated in RM.
- d. the Group's total equity attributable to owners of the Company was approximately RM139.6 million (30 June 2019: RM67.8 million). The capital of the Company mainly comprises share capital and reserves.

Treasury Policy

The Group has adopted a prudent treasury management policy to (i) ensure that the Group's funds are properly and efficiently collected and deployed such that there is no material shortfall in cash which may interrupt the Group's daily business obligations; (ii) maintain sufficient level of funds to settle the Group's capital commitment when they fall due; (iii) maintain adequate liquidity to cover the Group's operation cash flows, project expenditures and administrative expenses; and (iv) streamline the Group's operational processes to achieve savings in construction-related costs, maintenance and other operating costs. The Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities, and other commitments can meet its funding requirements all the time.

MANAGEMENT DISCUSSION AND ANALYSIS

Dividend

The Board does not recommend the payment of an interim dividend for the Period (2018: Nil).

On 24 December 2018, TBK, an indirect wholly-owned subsidiary of the Company, declared an interim dividend of RM5,600,000 to the controlling shareholders, refers to Mr. Tan Hun Tiong, Mr. Tan Han Peng and TBK & Sons International, which was settled on 19 July 2019 in the form of a distribution-in-specie of two parcels of freehold land owned by the Group.

Significant Investments, Material Acquisitions or Disposals of Subsidiaries and associated companies

Save as disclosed in this report and the Prospectus, the Group has no significant investments, material acquisitions or disposals of subsidiaries and associated companies during the Period.

Capital Commitments

As at 31 December 2019, the Group had no significant capital commitments (30 June 2019: Nil).

Pledge of Assets

As at 31 December 2019, the freehold land, freehold land and buildings, leasehold land and leasehold land and building of the Group with total net carrying amount of approximately RM9.5 million (30 June 2019: RM10.1 million) were pledged to licensed banks as security for credit facilities granted to the Group.

Future Plan for Material Investments and Capital Assets

Save as disclosed in this report and the Prospectus, the Group does not have any concrete plan for material investments or capital assets for the coming year.

Contingent Liabilities

As at 31 December 2019, the Group had no significant contingent liabilities or outstanding litigation (30 June 2019: Nil).

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign Currency Risk

The Group operates mainly in Malaysia, fluctuations in the Malaysian ringgit's value against other currencies will create foreign currency translation gains or losses and may have an adverse effect on the Group's business, financial condition and results of operations. Any imposition, variation or removal of foreign exchange controls may adversely affect the value, translated or converted into USD or HKD, of the Group's net assets, earnings or any declared dividends. Consequently, this may adversely affect the Group's ability to pay dividends or satisfy other foreign exchange requirements.

The management will monitor foreign currency exposure of the Group and will consider undertaking foreign exchange hedging activities to reduce the impact of foreign exchange rate movements on the Group's operating result. The Group had not used any derivative financial instrument during the Period.

Employees and Remuneration Policy

As at 31 December 2019, the Group had 434 (30 June 2019: 462) employees (including foreign labour), as general labour workforce for the Group's civil and structural works, all of whom were directly hired by the Group. The Group's employees are invaluable assets of the Group and it is dedicated to managing human capital. The Directors believe that continuous staff training and development will not only improve the Group's staff's performance, but will also enhance loyalty and staff morale. For its new recruits, the Group offers induction training courses which cover practical and technical aspects of their works, together with its corporate culture and core value. Remuneration package offered by the Group to its staff includes basic salary, discretionary bonuses and allowance. For the six months 31 December 2019, the Group's employee costs, including Directors' emoluments, were approximately RM12.3million (2018: RM8.2 million). The Directors review the performance of the Group's employees on a periodical basis in order to determine salary adjustment and promotions and keep the Group's remuneration package competitive.

Comparison of business objectives and strategies with actual business progress

As set out in the Prospectus, the business objectives and strategies of the Group are (i) to reserve more capital to satisfy the Group's potential customers' requirement for performance bond; (ii) expand the Group's workforce; (iii) to acquire machinery; (iv) to finance for the upfront expenditures of new projects; (v) to acquire business; and (vi) to set aside for working capital purpose.

MANAGEMENT DISCUSSION AND ANALYSIS

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the period from the Listing Date to 31 December 2019 (the "**Relevant Period**") is set out below:

- | | | |
|--|---|---|
| To reserve more capital to satisfy the Group's potential customers' requirement for performance bond | — | To purchase performance bond as required for any new project |
| To expand the Group's workforce | — | To carry out recruitment including project director, project manager, construction manager, project control manager, interface coordinator, quality assurance engineer, environmental manager, quality control head, quality control site manager, health, safety, security and environment head, health, safety, security and environment site manager |
| To acquire machinery | — | To acquire 2 cranes, 3 excavators, dumpers, low loader, 2 roller compactors, water truck, arm roll lorry, micro-bus, compressor, bar benders/cutters, towel lighting, generator |
| To finance for the upfront expenditures of new projects | — | To pay for the upfront costs of the Group's projects including startup costs such as subcontracting charges for work done by subcontractors, material costs and direct labour costs |
| To set aside for working capital purpose | — | To set aside, together with internal resources of the Group, for general working capital purpose |

MANAGEMENT DISCUSSION AND ANALYSIS

Use of Proceeds

The net proceeds (the “**Net Proceeds**”) received from the Share Offer (after deducting underwriting fees, brokerage, the Stock Exchange trading fee, the SFC transaction levy and other expenses) by the Group of approximately HK\$85.0 million (equivalent to RM45.0 million). As at 31 December 2019, all of the unused proceeds were deposited in the licensed bank in Hong Kong or Malaysia. During the Relevant Period, the Net Proceeds have been applied as follows:

	Planned use of Net Proceeds as stated in the Prospectus during the Relevant Period HK\$' million	Approximate % of the Net Proceeds	Actual use of proceeds during the Relevant Period HK\$' million
To reserve more capital to satisfy the Group's potential customers' requirement for performance bond	8.9	10.5%	–
To expand the Group's workforce	1.5	1.7%	–
To acquire machinery	17.8	20.9%	–
To finance for the upfront expenditures of new projects	26.7	31.4%	0.7
To set aside for working capital purpose	1.2	1.4%	1.2
	56.1	65.9%	1.9

OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2019, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Mode Code, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Company

Name of Directors	Capacity/ Nature of interest	Number of Shares (Note 1)	Percentage of shareholding
Mr. Tan Hun Tiong ("Mr. HT Tan")	Interest of a controlled corporation (Note 2)	600,000,000 (L)	60%
Mr. Tan Han Peng ("Mr. HP Tan")	Interest of a controlled corporation (Note 2)	600,000,000 (L)	60%

Notes:

1. The letter "L" denotes the person's long position in the Shares.
2. All the issued shares of TBKS International are legally and beneficially owned as to 70% and 30% by Mr. HT Tan and Mr. HP Tan respectively. Accordingly, Mr. HT Tan and Mr. HP Tan are deemed to be interested in the 600,000,000 Shares held by TBKS International under the SFO. Mr. HT Tan and Mr. HP Tan are a group of controlling shareholders.

OTHER INFORMATION

(ii) Interests in associated corporation of the Company

Name of Directors	Name of associated corporation	Number of Shares (Note 1)	Percentage of shareholding
Mr. HT Tan	TBKS International	70 (L)	70%
Mr. HP Tan	TBKS International	30 (L)	30%

Save as disclosed above, as at 31 December 2019, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2019, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

Name	Capacity/ Nature of interest	Number of Shares (Note 1)	Percentage of shareholding
TBKS International	Beneficial owner	600,000,000 (L)	60%
Ms. Tan Siew Hong	Interest of spouse (Note 2)	600,000,000 (L)	60%
Victory Lead Ventures Limited	Beneficial owner (Note 3)	150,000,000 (L)	15%
Fuji Investment SPC	Interest of a controlled corporation (Note 3)	150,000,000 (L)	15%

OTHER INFORMATION

Notes:

1. The letter “L” denotes long position in the Shares.
2. Ms. Tan Siew Hong is the spouse of Mr. HT Tan. By virtue of the SFO, Ms. Tan Siew Hong is deemed to be interested in all the Shares in which Mr. HT Tan is interested or deemed to be interested under the SFO.
3. The entire share capital of the Victor Lead Ventures Limited is beneficially owned by Fuji Investment SPC for the account of Project B Segregated Portfolio, a segregated portfolio designated by Fuji Investment SPC whose investment objective and strategy is to generate interest income and long term capital appreciation through investing primarily in a diversified portfolio of companies in Asia with a proposed listing on the Stock Exchange.

Save as disclosed above, as at 31 December 2019, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

Pursuant to the written resolutions of all the shareholders passed on 5 September 2019, the Company adopted the share option scheme of the Company (the “**Share Option Scheme**”). The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to enable the Board to grant options to employees, any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of the Group or any invested entity (the “**Eligible Persons**”) as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the Group.

As at 31 December 2019, the total number of Shares available for issue under the Scheme is 100,000,000 Shares, representing 10% of the issued share capital of the Company. No share option has been granted since the adoption of the Share Option Scheme and no share option was outstanding as at 31 December 2019 and no share option was exercised or cancelled or lapsed during the Period.

OTHER INFORMATION

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the Period was the Company or its subsidiaries a party to any arrangement 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.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

The Shares have been listed on the Main Board of the Stock Exchange on 30 September 2019. No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the Relevant Period.

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code during the Relevant Period.

CORPORATE GOVERNANCE

The Company is committed to fulfilling its responsibilities to the Company's shareholders (the "**Shareholders**") and protecting and enhancing Shareholders' value through good corporate governance.

The Board recognise the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code (the "**CG code**") contained in Appendix 14 to the Listing Rules.

To the best of the knowledge of the Board, the Company has complied with the CG code during the Relevant Period. The Board will periodically review on the Company's corporate governance functions and will continuously improve the Company's corporate governance practices by assessing their effectiveness with evolving standards to meet changing circumstances and needs.

OTHER INFORMATION

COMPETING INTERESTS

As confirmed by the Directors, Controlling Shareholders and their respective close associates do not have any interests in any business, apart from the business operated by members of the Group, which competes or is likely to compete, directly or indirectly, with the business of the Group during the Period.

AUDIT COMMITTEE

The Audit Committee was established on 5 September 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chu Hoe Tin, Mr. Ng Chiou Gee Willy and Mr. Tan Chade Phang. The chairman of the Audit Committee is Mr. Chu Hoe Tin.

The interim financial results of the Group for the six months ended 31 December 2019 are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

By order of the Board
TBK & Sons Holdings Limited
Tan Hun Tiong
Chairman

Hong Kong, 21 February 2020