TBK & Sons Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1960)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2020

The board (the "**Board**") of directors (the "**Directors**") of TBK & Sons Holdings Limited (the "**Company**") announces the audited consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2020 (the "**Financial Year**") together with the comparative figures for the year ended 30 June 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 RM'000	2019 RM'000
Revenue	5	**151,147**	194,017
Cost of sales		**(117,115)**	(152,664)
Gross profit		**34,032**	41,353
Other income, net		**5,273**	408
Administrative expenses		**(16,808)**	(7,638)
Finance costs	6	**(822)**	(1,022)
Listing expenses		**(3,838)**	(8,226)
Profit before income tax expense	7	**17,837**	24,875
Income tax expense	8	**(5,692)**	(8,545)
Profit for the year		**12,145**	16,330
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax:			
Exchange differences on translation of foreign operations		**2,509**	–
Total comprehensive income for the year		**14,654**	16,330
Earnings per share			
— Basic and diluted (RM)	9	**1.29 sen**	2.18 sen

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 RM'000	2019 RM'000
Non-current assets			
Property, plant and equipment		**23,200**	24,066
Deferred tax assets		**301**	–
		23,501	24,066
Current assets			
Trade receivables, other receivables, deposits and prepayments	*11*	**16,718**	40,892
Assets held for distribution to Controlling Shareholders		**–**	2,101
Contract assets	*12*	**49,656**	61,258
Financial assets at fair value through profit or loss		**5,665**	–
Pledged time deposits and bank balances		**39,625**	7,629
Cash and cash equivalents		**47,315**	12,612
Tax recoverable		**711**	–
		159,690	124,492
Current liabilities			
Trade and other payables	*13*	**34,348**	60,156
Obligations under finance leases		**–**	2,774
Lease liabilities		**3,095**	–
Bank borrowings		**493**	3,566
Dividend payable		**–**	5,600
Tax payable		**–**	732
		37,936	72,828
Net current assets		**121,754**	51,664
Total assets less current liabilities		**145,255**	75,730

	Notes	**2020**	2019
		RM'000	*RM'000*
Non-current liabilities			
Amounts due to directors		**–**	91
Obligations under finance leases		**–**	4,084
Lease liabilities		**3,140**	–
Bank borrowings		**2,520**	3,014
Deferred tax liabilities		**–**	693
		5,660	7,882
NET ASSETS		**139,595**	67,848
Equity			
Share capital	*14*	**5,300**	–
Reserves		**134,295**	67,848
TOTAL EQUITY		**139,595**	67,848

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. GENERAL INFORMATION, REORGANISATION AND SIGNIFICANT EVENTS

(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 office 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 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 (the "**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 a group reorganisation (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.

(c) Significant events

Sudden change of Malaysian Government

On 24 February 2020, Tun Mahathir the 7th Prime Minister of Malaysia suddenly tendered his resignation. His political party also pulled out of the ruling coalition causing the then ruling Government to collapse. Instead of a General Election been called to elect a new Government, the King exercised his power and appointed Muhyiddin Yasin as the 8th Prime Minister on 29 February 2020. Subsequently, a new cabinet was formed whereby all the earlier Ministers were replaced by the new Prime Minister.

COVID-19

The World Health Organisation ("**WHO**") declared the outbreak of COVID-19 first as a Public Health Emergency of International Concern on 30 January 2020 and as a pandemic on 11 March 2020. On 16 March 2020, the newly appointed Prime Minister of Malaysia announced that a Movement Control Order ("**MCO**") would be implemented from 18 March 2020 for two weeks. The MCO was extended several times until 10 June 2020 where it was replaced by a Recovery Movement Control Order ("**RMCO**") until 31 August 2020. The RMCO was subsequently extended until 31 December 2020.

The Group has experienced significant disruption to its operations arising from the COVID-19 pandemic and the MCO as follows:

- Complete cessation of civil and structural works from 18 March 2020 to 4 May 2020
- Interruption to the operations due to new Standard Operating Procedures ("**SOP**") required to be implemented
- Negative impact on the demand for the Group's civil and structural works

The significant events and transaction that relate to the effects of the global pandemic on the Group's consolidated financial statements for the year ended 30 June 2020 are summarised as follows.

Decrease in revenue

The Group considered the reduced revenue and reductions in budgeted revenue as indicators of impairment, and therefore determined the recoverable amount for its cash generating unit ("**CGU**") of civil and structure works. The recoverable amount is the greater of the fair value less costs to sell and value in use.

Management conducted an impairment assessment on the CGU and the recoverable amount of the CGU, which is determined on the basis of value in use calculation, is greater than the carrying value of the CGU's non-current assets. The directors are of the opinion that no impairment provision is required.

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**") issued by International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

(b) Basis of measurement

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

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 Tan Bock Kwee & Sons Sdn. Bhd. ("**TBK**"), respectively) have been managing and controlling TBK and Prestasi Senadi Sdn. Bhd. ("**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.

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 (B.V.I.) Ltd ("**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 years ended 30 June 2020 and 2019 taking into account the respective dates of incorporation of companies. The consolidated statements of financial position as at 30 June 2020 and 2019 present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation of companies.

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

2.3 Functional and presentation currency

Prior to 30 September 2019, the Company was practically inactive save for investments in principal subsidiaries operating in Malaysia and the directors regarded Malaysian Ringgit ("**RM**") as the functional currency of the Company. During the year ended 30 June 2020, the directors reassessed the Company's functional currency and considered that the functional currency of the Company should be changed from RM to Hong Kong dollars ("**HK$**") commencing from 30 September 2019 as the principal sources of financing and the daily transactions of the Company are denominated in HK$. The change of functional currency of the Company was applied prospectively from the date of change in accordance with IAS 21 "The Effect of Changes in Foreign Exchange Rates".

The functional currency of the Company is HK$ while the financial statements are presented in RM. The directors consider that it is more appropriate to adopt RM as the Group's and the Company's presentation currency as RM is the functional currency of the Company's major operating subsidiaries. All values are rounded to the nearest thousand (RM'000) except when otherwise indicated.

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

(a) Adoption of new or revised IFRSs — effective 1 July 2019

The IASB has issued a number of new or amended IFRSs that are first effective for the current accounting period of the Group:

IFRS 16	Leases
(IFRIC)-Int 23	Uncertainty Over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Annual Improvements to IFRS 2015–2017 Cycle	Amendments to IFRS 3, Business Combinations
Annual Improvements to IFRS 2015–2017 Cycle	Amendments to IAS 12, Income Taxes
Annual Improvements to IFRS 2015–2017 Cycle	Amendments to IAS 23, Borrowing Costs

The impact of the adoption IFRS 16 Leases has been summarised in below. The other new or amended IFRSs that are effective from 1 July 2019 did not have significant impact on the Group's accounting policies.

IFRS 16 — Leases

(i) Impact of the adoption of IFRS 16

IFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces IAS 17 Leases ("**IAS 17**"), (IFRIC)-Int 4 Determining whether an Arrangement contains a Lease ("**(IFRIC)-Int 4**"), (SIC)-Int 15 Operating Leases-Incentives and (SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from IAS 17. For details of IFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under IFRS 16, please refer to sections (ii) to (v) of this note.

The Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying IFRS 16, if any, as an adjustment to the opening balance of retained profits at the date of initial application. The comparative information presented in 2019 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The following reconciliation explains how the operating lease commitments disclosed applying IAS 17 at the end of 30 June 2019 could be reconciled to the lease liabilities at the date of initial application recognised in the consolidated statement of financial position as at 1 July 2019:

	RM'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as at 30 June 2019	–
Add: Obligations under finance leases as at 30 June 2019	6,858
Total lease liabilities as at 1 July 2019	6,858

The following table summarised the impact of transition to IFRS 16 on consolidated statement of financial position as at 30 June 2019 to that of 1 July 2019 (increase/(decrease)):

	30 June 2019	**Impact**	**1 July 2019**
	RM'000	*RM'000*	*RM'000*
Property, plant and equipment — Leasehold land and building	2,775	(2,775)	–
Property, plant and equipment — Plant and machinery and motor vehicles	9,507	(9,507)	–
Property, plant and equipment — Right-of-use assets	–	12,282	12,282
Obligations under finance leases (current)	(2,774)	2,774	–
Obligations under finance leases (non-current)	(4,084)	4,084	–
Lease liabilities (current)	–	(2,774)	(2,774)
Lease liabilities (non-current)	–	(4,084)	(4,084)

(ii) The new definition of a lease

Under IFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all lease components and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under IAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the consolidated statement of financial position of the lessee.

Under IFRS 16, all leases (irrespective of whether they are operating leases or finance leases) are required to be capitalised in the consolidated statement of financial position as right-of-use assets and lease liabilities, but IFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on a straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying the cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Transition

As mentioned above, the Group has applied IFRS 16 using the cumulative effect approach and recognised all the cumulative effect, if any, of initially applying IFRS 16 as an adjustment to the opening balance of retained profits at the date of initial application (1 July 2019). The comparative information presented in 2019 has not been restated and continues to be reported under IAS 17 and related interpretations as allowed by the transition provision in IFRS 16.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 July 2019) and accounted for those leases as short-term leases.

In addition, the Group has also applied the practical expedients such that: (i) 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 and (ii) 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 certain 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 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 and the lease liabilities applying IFRS 16 from 1 July 2019.

(b) Revised IFRSs that have been issued but are not yet effective

The following 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[1]
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting[1]
Amendment to IFRS 16	Covid-19 — Related Rent Concessions[2]

1 Effective for annual period beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 June 2020

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.

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

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.

Year ended 30 June 2020	**Site preparation works projects** *RM'000*	**Civil works projects** *RM'000*	**Building works projects** *RM'000*	**Total** *RM'000*
Revenue				
Revenue from external customers	**300**	**138,564**	**12,283**	**151,147**
Segment cost of sales	**(217)**	**(107,099)**	**(9,799)**	**(117,115)**
Gross profit	**83**	**31,465**	**2,484**	**34,032**
Other income, net				**5,273**
Administrative expenses				**(16,808)**
Finance costs				**(822)**
Listing expenses				**(3,838)**
Profit before income tax expense				**17,837**
Income tax expense				**(5,692)**
Profit for the year				**12,145**

Year ended 30 June 2019	Site preparation works projects *RM'000*	Civil works projects *RM'000*	Building works projects *RM'000*	Total *RM'000*
Revenue				
Revenue from external customers	1,018	159,633	33,366	194,017
Segment cost of sales	(767)	(126,929)	(24,968)	(152,664)
Gross profit	251	32,704	8,398	41,353
Other income, net				408
Administrative expenses				(7,638)
Finance costs				(1,022)
Listing expenses				(8,226)
Profit before income tax expense				24,875
Income tax expense				(8,545)
Profit for the year				16,330

(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).

(c) Major customers

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

Year ended 30 June 2020	**Site preparation works projects** *RM'000*	**Civil works projects** *RM'000*	**Building works projects** *RM'000*	**Total** *RM'000*
Customer A	**–**	**19,651**	**–**	**19,651**
Customer B	**–**	**66,517**	**–**	**66,517**
Customer C	**–**	**39,813**	**–**	**39,813**
Customer D	**N/A**	**N/A**	**N/A**	**N/A**

Year ended 30 June 2019	Site preparation works projects *RM'000*	Civil works projects *RM'000*	Building works projects *RM'000*	Total *RM'000*
Customer A	N/A	N/A	N/A	N/A
Customer B	–	111,437	–	111,437
Customer C	–	19,998	–	19,998
Customer D	–	454	31,426	31,880

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

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:

	2020 *RM'000*	2019 *RM'000*
Recognised over time		
Contract revenue	**151,147**	194,017

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 4 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.

	2020 *RM'000*	2019 *RM'000*
Provision of civil and structural works	**45,458**	158,684

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 30 June 2020 and 2019 will be recognised as revenue during the years ended 30 June 2020 to 30 June 2024 in respect of provision of civil and structural works.

6. FINANCE COSTS

	2020	2019
	RM'000	*RM'000*
Interest on:		
— bank overdrafts	**46**	161
— term loans	**206**	274
— obligations under finance leases	**–**	389
— lease liabilities	**457**	–
— banker's acceptances	**113**	198
	822	1,022

7. PROFIT BEFORE INCOME TAX EXPENSE

	2020	2019
	RM'000	*RM'000*
Profit before income tax expense is arrived at after charging/(crediting):		
Auditors' remuneration	**443**	556
Short-term leases expenses	**2,264**	3,066
Depreciation of property, plant and equipment	**1,355**	3,604
Depreciation of right-of-use assets *(Note (i))*	**2,828**	–
Fair value gain on financial assets at fair value through profit or loss	**(361)**	–
Gain on settlement of distribution-in-specie to Controlling Shareholders	**(3,499)**	–
Gain on disposal of financial assets at fair value through profit or loss	**(271)**	–
Impairment loss on trade receivables and contract assets	**438**	5
Reversal of impairment loss on trade receivables and contract assets	**–**	(4)
Impairment loss on trade receivables and contract assets, net	**438**	1
(Gain)/loss on disposal of property, plant and equipment	**(248)**	3
Employee benefits expenses (including directors' and chief executive's emoluments):		
— Wages, salaries and other benefits	**21,923**	17,507
— Contributions to defined contribution plans *(Note (ii))*	**1,301**	987
Total employee costs	**23,224**	18,494
Less: amounts included in cost of sales	**(13,889)**	(15,101)
	9,335	3,393

Notes:

(i) The Group has initially applied IFRS 16 using the cumulative effect approach and adjusted the opening balances at 1 July 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under IAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1 July 2019, the Group as lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information has not been restated. See note 3(a).

(ii) There are no forfeited contributions for the above defined contribution plans as the contributions are fully vested with the employees upon payment to the plans.

8. INCOME TAX EXPENSE

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

	2020	2019
	RM'000	*RM'000*
Malaysian corporate income tax		
— provision for the year	**6,601**	8,374
— under provision in respect of prior years	**85**	22
	6,686	8,396
Deferred tax		
— current year	**(786)**	127
— over provision in respect of prior years	**(208)**	(61)
	(994)	66
Tax penalty	**–**	83
Income tax expense	**5,692**	8,545

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

For the year ended 30 June 2020, the Malaysian income tax of TBK and Prestasi Senadi is calculated at the statutory tax rate of 24%.

For the year ended 30 June 2019, TBK and Prestasi Senadi each with paid up capital below RM2,500,000 can enjoy lower corporate income tax rate in Malaysia of 18% on the first taxable profit of RM500,000 and 24% on the taxable profit in excess of RM500,000.

No Hong Kong profits tax has been provided as TBKS Hong Kong Limited ("**TBKS Hong Kong**") has no assessable profit during the current year. As at 30 June 2020, TBKS Hong Kong has tax losses of approximately RM1,286,000 (2019: Nil) that are available for offsetting against its future taxable profits in Hong Kong. Under the current tax legislation, these tax losses have no expiry date.

The income tax expense for the years ended 30 June 2020 and 2019 can be reconciled to the profit before income tax expense per the consolidated statements of profit or loss and other comprehensive income as follows:

	2020	2019
	RM'000	*RM'000*
Profit before income tax expense	**17,837**	24,875
Tax calculated at Malaysian statutory corporate income tax rate	**4,281**	5,970
Effect of different tax rates in foreign jurisdictions	**68**	–
Tax effect of expenses not deductible for tax purposes	**2,181**	2,591
Reduction in tax rate on the first taxable profit of RM500,000	**–**	(60)
Tax effect of revenue not taxable for tax purposes	**(923)**	–
Tax effect of temporary differences not recognised	**(4)**	–
Tax effect of tax loss not recognised	**212**	–
Under provision of income tax expense in respect of prior years	**85**	22
Over provision of deferred tax in respect of prior years	**(208)**	(61)
Tax penalty	**–**	83
Income tax expense	**5,692**	8,545

9. EARNINGS PER SHARE

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

	2020	2019
	RM'000	*RM'000*
Earnings		
Profit for the year attributable to owners of the Company	**12,145**	16,330
Number of shares		
Weighted average number of ordinary shares	**939,890,709**	750,000,000

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 30 June 2020 included the weighted average number of shares pursuant to the Share Offer of 250,000,000 shares and the 750,000,000 shares assumed to be in issue throughout the year ended 30 June 2019 as referred to below.

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 30 June 2019 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 year ended 30 June 2019.

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 years ended 30 June 2020 and 2019.

10. DIVIDEND

The Board does not recommend the payment of a final dividend in respect of the year ended 30 June 2020 (2019: Nil).

There are no income tax consequences attaching to the payment of dividend by the Company to its shareholders.

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 consolidated financial statements.

11. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020	2019
	RM'000	*RM'000*
Trade receivables	**15,683**	37,725
Less: Allowance for impairment losses	**(362)**	(189)
	15,321	37,536
Advances paid to subcontractors and suppliers	**33**	277
Other receivables	**199**	132
Deposits	**462**	354
Prepayments	**703**	2,593*
	16,718	40,892

* Including prepaid listing expenses of RM2,455,000

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.

The ageing analysis of trade receivables, based on invoice dates, as at 30 June 2020 and 2019 are as follows:

	2020	2019
	RM'000	*RM'000*
1 to 90 days	**11,840**	35,475
91 to 180 days	**3,266**	1,810
Over 180 days	**577**	440
	15,683	37,725

Trade receivables are not secured by any collateral or credit enhancements.

The Group applies the simplified approach to provide for expected credit losses ("**ECLs**") prescribed by IFRS 9. During the years ended 30 June 2020 and 2019, a provision of RM438,000 and RM5,000 was made against the gross amounts of trade receivables, respectively.

12. CONTRACT ASSETS

	2020	2019
	RM'000	*RM'000*
Contract assets	**49,921**	61,258
Less: Allowances for impairment losses	**(265)**	–
	49,656	61,258

As at 30 June 2020 and 30 June 2019, included in contract assets were accrued billings totalling RM18,735,000 and RM30,330,000 respectively. Accrued billings relate to the Group's right to consideration for work completed and not billed, and such right is conditional upon the Group's future performance in satisfying the respective performance obligations at the reporting date in respect of civil and structural works contracts. The balance as at 30 June 2020 decreased as compared to the balance as at 30 June 2019 because there were less contract works performed in the last quarter of the year due to the MCO.

As at 30 June 2020 and 2019, retention money for contract works amounted to RM31,186,000 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 30 June 2020 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:

	2020	2019
	RM'000	*RM'000*
Within one year	**5,830**	45
After one year	**25,356**	30,883
	31,186	30,928

The Group applies the simplified approach to provide for ECLs prescribed by IFRS 9. During the year ended 30 June 2020, a provision of RM265,000 was made against the gross amounts of contract assets (2019: the Group considered that the ECLs for contract assets are negligible based on credit history of the related customers).

13. TRADE AND OTHER PAYABLES

	2020	2019
	RM'000	*RM'000*
Trade payables	**26,416**	53,183
Retention payables	**2,841**	1,007
Accruals	**5,086**	5,902*
Other payables	**5**	64
	34,348	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 30 June 2020 and 2019 are as follows:

	2020	2019
	RM'000	*RM'000*
Within 30 days	**3,610**	7,300
31 to 60 days	**1,777**	4,347
61 to 90 days	**7,335**	11,679
Over 90 days	**13,694**	29,857
	26,416	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.

14. SHARE CAPITAL

	Number	Amount	Amount
		HK$	*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 30 June 2020	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 30 June 2020	1,000,000,000	10,000,000	5,300

* Represents amount less than RM1,000

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 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 which were credited as fully paid as consideration for the transfer of their entire shareholdings interest in TBKS Investments to the Company.

(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) credited to the Company's share capital, and share premium of approximately RM65.0 million (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.

15. EVENT AFTER THE REPORTING PERIOD

The global spread of the COVID-19 pandemic since early 2020 has a significant impact on the Group's revenue and earnings for the year ended 30 June 2020. On 28 August 2020, the Malaysian Government extended the RMCO for an additional four months until 31 December 2020. The management of the Group has taken all the relevant actions to minimise the unfavourable impact on the Group and is closely monitoring this situation. Up to the date of this announcement, the number of COVID-19 cases continued to climb and there is no known cure or vaccine. Hence it is not possible to estimate the potential impact on the financial results of the Group as at the date of this announcement.

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 customers, suppliers 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.

However, due to the sudden and rapid spread of the COVID-19 pandemic across the globe in early 2020, a series of precautionary and control measures have been undertaken by governments across the world including Hong Kong and Malaysia. The Malaysian Government announced the implementation of the MCO effective from 18 March 2020 which lasted until June 2020. The MCO has adversely affected the usual business activities of the country and disrupted the Group's daily operations for the Financial Year.

In June 2020, the Malaysian Government replaced the MCO with the RMCO which was initially intended to last until end of August 2020. Under the RMCO, most of the economics sectors are allowed to operate (subject to SOP being implemented) although the country's border would remain closed. In late August 2020, the RMCO was extended to end of December 2020.

As part of the new norm under the MCO and RMCO, the Group has implemented the required SOP and took extra preventive measures including, but not limited to, mandatory COVID-19 testing for all site workers, frequent disinfection within the company premises as well as practising social distancing.

The management of the Group has taken the relevant actions to minimise the unfavourable impact on the Group and is closely monitoring this situation. We believe the adverse impact of COVID-19 pandemic will eventually come to an end and the global economy will recover in the following years.

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 years ended 30 June 2020 and 2019:

	2020		2019	
		approximately		*approximately*
	RM'000	***%***	*RM'000*	*%*
Site preparation works projects	**300**	**0.2**	1,018	0.5
Civil works projects	**138,564**	**91.7**	159,633	82.3
Building works projects	**12,283**	**8.1**	33,366	17.2
	151,147	**100.0**	194,017	100.0

The Group' revenue decreased by approximately 22.1% from approximately RM194.0 million for the year ended 30 June 2019 to approximately RM151.1 million for the Financial Year. The decrease was mainly attributable to the sudden implementation of the MCO by the Malaysian Government where the Group's operations were significantly disrupted and adversely affected. Even though the Group was allowed to re-commence its operation from 4 May 2020, progress had been slow due to the requirements of new SOP e.g. all workers needed to be fully tested at selected facilities before they were allowed to work. As a result, the Group recorded a significant drop in revenue in the fourth quarter and the Financial Year.

Site preparation works projects

Revenue from site preparation works projects decreased from approximately RM1.0 million for the year ended 30 June 2019 to approximately RM0.3 million for the Financial Year. Such decrease was attributable to the substantial completion of most of the site preparation projects on hand.

Civil works projects

Revenue from civil works projects decreased from approximately RM159.6 million for the year ended 30 June 2019 to approximately RM138.6 million for the Financial Year, representing a decrease of approximately 13.2%.

The decrease was mainly attributable to the drop of approximately RM44.9 million for the revenue generated from Project 11, which was close to completion in the Financial Year as Pengerang Integrated Complex was poised for its refinery start up. In addition, Project 16 generated a lesser revenue of approximately RM5.9 million as it was completed during the Financial Year. Besides, Project 9, which generated a revenue of approximately RM8.3 million, was completed in last Financial Year. The decrease was partially offset by rises in revenue of approximately RM19.8 million and approximately RM17.9 million generated from Project 13 and Project 20 during the Financial Year, respectively, which were commenced in previous year. In addition, Project 22 and Project 25 which were commenced in the Financial Year has generated an aggregate of approximately RM5.6 million.

Building works projects

Revenue from building works projects decreased from approximately RM33.4 million for the year ended 30 June 2019 to approximately RM12.3 million for the Financial Year, representing a decrease of approximately 63.2%. The decrease was attributable to the completion of Project 4 during the Financial Year, resulted in a drop of approximately RM30.7 million in revenue. Nevertheless, it was offset by the increase in revenue of approximately RM7.6 million generated from Project 19 which was started in previous year and revenue of approximately RM2.0 million generated from Project 23 which was started during the Financial Year.

OUTLOOK

The World Bank noted in its latest "Global Economic Prospect" report that the COVID-19 pandemic has caused the broad collapse of the global economy. The world economy is projected to contract by 5.2% this year, the deepest recession in decades.

In the local front, the Malaysian Central Bank, Bank Negara Malaysia ("**BNM**") announced in August 2020 that Malaysia's gross domestic product ("**GDP**") would contract by 17.1% in the second quarter of 2020. Consequently, BNM has revised Malaysia's GDP forecast for 2020 downwards to -3.5% to -5.5% from -2% to 0.5% previously. This situation is further complicated by the unprecedented instability of the current government with marginal simple majority in parliament following the sudden change of government in February 2020. Coupled with the COVID-19 pandemic and the on-going Sino-US trade tension, this instability has affected Malaysia's business and economic environment.

In the recent announcement published by Petronas, it is noted that Petronas would cut its annual budget for capital expenditure and operating expenses by approximately 21% and 12%, respectively. The reduction in capital expenditure and operating expenses may have an impact on the Group as the number of new tenders and projects available from Petronas would be significant reduced. Further, this would lead to intense competition in an over-supplied civil and structural works market and drive down profit margin of such works.

At the time of writing, there remains significant uncertainty on the extent of the pandemic's impact, which depends on multiple factors including the path and mutation of the disease, efficacy of containment efforts, successful development of vaccine, and government fiscal and monetary policies. Against this backdrop, we expect the current financial year of 2021 to be extremely challenging for the Group due to the ongoing COVID-19 pandemic, postponement in contract awards, deferment of new projects and other oil and gas industry activities, and intense competition for available contract works.

On the other hand, though far-reaching, we believe the adverse impact of COVID-19 pandemic will eventually come to an end and the global economy will recover in the following years. In this regard, the Group is actively exploring opportunities both in East Malaysia and West Malaysia, where the Malaysian Government is expected to push social and economic developments by increasing oil and gas and petrol chemical infrastructures spending, as well as in neighbouring countries.

Looking back on the past four decades, the Group has weathered many different types of storm. With its healthy balance sheet, deep-rooted culture of resilience and dedicated workforce, we believe that the Group will survive this turbulent time and emerge stronger on the other side.

Projects on hand

As at the 30 June 2020, the Group had 11 (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	Pengerang Intergrated Petroleum Complex ("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	December 2020
Project 13	A refinery at Melaka	Civil works	Non-PIPC	March 2018	December 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	November 2020
Project 20	A tank farm facilities expansion at Tg Bin	Civil works	Non-PIPC	May 2019	October 2020
Project 22	A refinery at Port Dickson	Civil works	Non-PIPC	November 2019	November 2020
Project 23	A refinery at Pengerang	Building works	PIPC	December 2019	October 2020
Project 24	A tank farm facilities at Tg Bin	Building works	Non-PIPC	January 2020	December 2020
Project 25	A refinery at Port Dickson	Building works	Non-PIPC	June 2020	February 2020
Project 26	A gas refinery at Paka	Civil works	Non-PIPC	September 2020	July 2021

FINANCIAL REVIEW

Revenue

The Group' revenue decreased by approximately 22.1% from approximately RM194.0 million for the year ended 30 June 2019 to approximately RM151.1 million for the Financial Year. The decrease was mainly attributable to the sudden implementation of the MCO by the Malaysian Government where the Group's operations were significantly disrupted and adversely affected. Even though the Group was allowed to re-commence its operation from 4 May 2020, progress had been slow due to the requirements of new SOP such as all workers needed to be fully tested at selected facilities before they were allowed to work. As a result, the Group recorded a significant drop in revenue in the fourth quarter and the Financial Year.

Cost of sales

The Group's cost of sales mainly comprises cost of direct materials, subcontracting charges and direct labour. The following table sets out the breakdown of the Group's direct costs during the years ended 30 June 2020 and 2019:

	2020		2019	
		Approximately		*Approximately*
	RM'000	***%***	*RM'000*	*%*
Direct materials	**21,363**	**18.2**	30,430	19.9
Subcontracting charges	**72,075**	**61.5**	95,012	62.2
Direct labour	**13,889**	**11.9**	15,101	9.9
Rental of machinery and equipment	**242**	**0.2**	1,241	0.8
Depreciation	**2,826**	**2.4**	2,508	1.7
Other costs	**6,720**	**5.8**	8,372	5.5
Total	**117,115**	**100.0**	152,664	100.0

The Group's cost of sales during the Financial Year 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 represents 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 decreased from approximately RM152.7 million for the year ended 30 June 2019 to approximately RM117.1 million for the Financial Year, representing a decrease of approximately 23.3% which is in line with decrease 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.

Gross profit and gross profit margin

In line with the decrease in revenue, the Group's gross profit decreased from approximately RM41.4 million to RM34.0 million for the year ended 30 June 2019 and 2020, respectively, representing a decrease of approximately 17.7%. With combined effects of revenue and costs of sales, the Group's gross profit margin increased from approximately 21.3% to 22.5% for the year ended 30 June 2019 and 2020, respectively.

Administrative expenses

The Group's administrative expenses increased from approximately RM7.6 million for the year ended 30 June 2019 to approximately RM16.8 million for the Financial Year. Such increase was mainly attributable to the net effect of (i) the increase in staff costs; (ii) increase in impairment loss on trade receivables and contract assets; (iii) increase in professional fee after Listing; and (iv) the increase in depreciation of property, plant and equipment and right-of-use assets and decrease in short-term lease expenses. 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 year ended 30 June 2020 and 2019, the Group recorded finance costs of approximately RM0.8 million and RM1.0 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 2020, respectively.

During the Financial Year, the listing expenses were approximately RM3.8 million (2019: RM8.2 million).

Income tax expense

For the year ended 30 June 2020, the Malaysian income tax of TBK and Prestasi Senadi is calculated at the statutory tax rate of 24%.

For the year ended 30 June 2019, TBK and Prestasi Senadi each with paid up capital below RM2,500,000 can enjoy lower corporate income tax rate in Malaysia of 18% on the first taxable profit of RM500,000 and 24% on the taxable profit in excess of RM500,000.

The Group's income tax expense was approximately RM5.7 million and RM8.5 million for the year ended 30 June 2020 and 2019, respectively.

Profit and total comprehensive income and Earnings per share

As a result of the foregoing, the Group's profit was approximately RM12.1 million and RM16.3 million for the Financial Year and for the year ended 30 June 2019, respectively. Earnings per share was approximately RM1.29 sen and RM2.18 sen for the Financial Year and for the year ended 30 June 2019, respectively.

Key Financial Ratio

		As at/for the year ended 30 June	
	Note	**2020**	2019
Current ratio (times)	*1*	**4.2**	1.7
Quick ratio (times)	*2*	**4.2**	1.7
Gearing ratio (%)	*3*	**6.6**	19.9
Debt to equity (%)	*4*	**N/A**	1.4
Return on equity (%)	*5*	**8.7**	24.1
Return on total assets (%)	*6*	**6.6**	11.0
Interest coverage (times)	*7*	**22.7**	25.3

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%.

4. Debt to equity ratio is total debt (i.e. sum of all obligations under finance leases, lease liabilities, borrowings and amounts due to Directors) less cash and cash equivalents divided by total equity and multiplied by 100%.

5. Return on equity is profit for the year divided by total equity and multiplied by 100%.

6. Return on assets is profit for the year divided by total assets and multiplied by 100%.

7. Interest coverage is profit before interest and tax divided by finance costs.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2020,

a. the Company's issued capital was RM5.3 million (or HK$10.0 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 RM39.6 million (2019: RM7.6 million) and approximately RM47.3 million (2019: RM12.6 million) respectively, most of which were denominated in HK$ and RM;

c. the Group had lease liabilities and bank borrowings of approximately RM6.2 million (2019: obligations under finance lease of approximately RM6.9 million) and RM3.0 million (2019: RM6.6 million) respectively. All of the finance leases, lease liabilities and bank borrowings were denominated in RM; and

d. the Group's total equity attributable to owners of the Company was approximately RM139.6 million (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.

Dividend

The Board does not recommend the payment of a final dividend for the Financial Year (2019: 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, 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 announcement and the Prospectus, the Group has no significant investments, material acquisitions or disposals of subsidiaries and associated companies during the Financial Year.

Capital Commitments

As at 30 June 2020 and 2019, the Group had no significant capital commitments.

Pledge of Assets

As at 30 June 2020, the freehold land, freehold land and buildings, leasehold land and leasehold land and building of the Group with total net carrying amount of approximately RM9.0 million (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 announcement 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 30 June 2020 and 2019, the Group did not have any significant contingent liabilities or outstanding litigation.

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 results. The Group had not used any derivative financial instrument during the Financial Year.

Employees and Remuneration Policy

As at 30 June 2020, the Group had 422 (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 year ended 30 June 2020, the Group's employee costs, including Directors' emoluments, were approximately RM23.2 million (2019: RM18.5 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.

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 30 June 2020 (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

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 30 June 2020, 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	Approximate % of the Net Proceeds	Actual use of Net Proceeds during the Relevant Period	Balance of unutilized proceeds as at 30 June 2020	Expected timeline for unutilized proceeds
	HK$ million		*HK$ million*	*HK$ million*	
To reserve more capital to satisfy the Group's potential customers' requirement for performance bond	8.9	10.5%	–	8.9	30 June 2022
To expand the Group's workforce	5.8	6.8%	–	5.8	30 June 2022
To acquire machinery	17.8	20.9%	–	17.8	30 June 2022
To finance for the upfront expenditures of new projects	26.7	31.4%	2.1	24.6	30 June 2022
To set aside for working capital purpose	2.4	2.8%	2.4	–	
	61.6	72.4%	4.5	57.1	

The Group has experienced significant disruption to its operations arising from the COVID-19 pandemic and the MCO in the last four months of the Financial Year, included but not limited to, (i) closure of worksites and headquarters; (ii) interruption of operations due to SOP required to be implemented; and (iii) negative impact on the demand for the Group's civil and structural work. Against this backdrop, we expect the current financial year of 2021 to be extremely challenging to the Group due to the ongoing of COVID-19 pandemic. Without change in the business objective as stated in the Prospectus and taking into account of the impact from COVID-19 pandemic, we planned to extend the expected time line for the utilization of the unused proceeds to the end of financial year in 2022 in order to enhance flexibility for the future development of the Group.

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 30 June 2020, 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 30 June 2020 and no share option was exercised or cancelled or lapsed during the Financial Year.

PURCHASE, SALE OR REDEMPTION 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 recognises 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.

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 audited consolidated financial statements for the year ended 30 June 2020 have been reviewed 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.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2020 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the Financial Year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagement issued by Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

PUBLICATION ON THE COMPANY AND STOCK EXCHANGE'S WEBSITES

This annual results announcement is published on the websites of the Company (www.tbkssb.com.my) and the Stock Exchange (www.hkexnews.hk), respectively. The annual report of the Company for the year ended 30 June 2020 will be despatched to Shareholders and available on the same websites in due course.

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

Hong Kong, 24 September 2020

As at the date of this announcement, the Board comprises Mr. Tan Hun Tiong and Mr. Tan Han Peng as executive Directors; Ms. Chooi Pey Nee as non-executive Director; and Mr. Tan Chade Phang, Mr. Ng Chiou Gee Willy and Mr. Chu Hoe Tin as independent non-executive Directors.