TBK & Sons Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1960)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

The board (the "**Board**") of directors (the "**Directors**") of TBK & Sons Holdings Limited (the "**Company**") announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the six months ended 31 December 2020 (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 2020

		Six months ended 31 December	
		2020	2019
		Unaudited	Unaudited
	Notes	***RM'000***	*RM'000*
Revenue	*5*	**51,511**	108,837
Cost of sales		**(41,985)**	(81,963)
Gross profit		**9,526**	26,874
Other income, net		**485**	4,221
Administrative expenses		**(5,592)**	(6,707)
Finance costs	*6*	**(256)**	(461)
Listing expenses		**–**	(3,838)
Share of loss of an associate, net of tax		**(40)**	–
Profit before income tax expense	*7*	**4,123**	20,089
Income tax expense	*8*	**(2,049)**	(5,439)
Profit for the period		**2,074**	14,650
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax:			
Exchange differences on translation of foreign operations		**(1,308)**	–
Total comprehensive income for the period		**766**	14,650
Earnings per share			
— Basic and diluted (RM)	*9*	**0.21 sen**	1.66 sen

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**As at 31 December 2020 Unaudited** ***RM'000***	As at 30 June 2020 Audited *RM'000*
Non-current assets			
Property, plant and equipment		**21,582**	23,200
Interest in an associate		**410**	–
Deferred tax assets		**215**	301
		22,207	23,501
Current assets			
Trade receivables, other receivables, deposits and prepayments	*11*	**15,307**	16,718
Contract assets	*12*	**34,629**	49,656
Financial assets at fair value through profit or loss		**–**	5,665
Pledged time deposits and bank balances		**9,417**	39,625
Cash and cash equivalents		**88,977**	47,315
Tax recoverable		**700**	711
		149,030	159,690
Current liabilities			
Trade and other payables	*13*	**23,612**	34,348
Lease liabilities		**2,547**	3,095
Bank borrowings		**302**	493
		26,461	37,936
Net current assets		**122,569**	121,754
Total assets less current liabilities		**144,776**	145,255
Non-current liabilities			
Lease liabilities		**3,005**	3,140
Bank borrowings		**1,410**	2,520
		4,415	5,660
NET ASSETS		**140,361**	139,595
Equity			
Share capital	*14*	**5,300**	5,300
Reserves		**135,061**	134,295
TOTAL EQUITY		**140,361**	139,595

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2020

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 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 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 ("**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 comprising the Group on 5 September 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 International Accounting Standards Board and 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 financial assets at fair value through profit or loss.

2.2 Basis of presentation

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 2020 (the "**2020 Financial Statements**") and the new or revised IFRSs which are effective for the annual period beginning on or after 1 July 2020 and relevant to the Group.

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 2020 Financial Statements, and should be read in conjunction with the 2020 Financial Statements.

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

The functional currency of the Company is Hong Kong dollars ("**HK$**") while the consolidated financial statements are presented in Malaysian Ringgit ("**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

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 2020 and relevant to the Group. The adoption of these amendments had no significant impact on the results and financial position of the Group.

(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	Reference to the Conceptual Framework[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current, and Disclosure of Accounting Policies[2]
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Annual Improvements to IFRS 2018–2020	Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, Illustrative Examples accompanying IFRS 16 Leases and IFRS 41 Agriculture[1]

1 Effective for annual reporting periods beginning on or after 1 January 2022
2 Effective for annual reporting periods beginning on or after 1 January 2023
3 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

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 2020 Financial Statements.

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.

For the six months ended 31 December 2020	**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	**–**	**31,117**	**20,394**	**51,511**
Segment cost of sales	**–**	**(24,738)**	**(17,247)**	**(41,985)**
Gross profit	**–**	**6,379**	**3,147**	**9,526**
Other income, net				**485**
Administrative expenses				**(5,592)**
Finance costs				**(256)**
Share of loss of an associate, net of tax				**(40)**
Profit before income tax expense				**4,123**
Income tax expense				**(2,049)**
Profit for the Period				**2,074**

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

(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 period are as follows:

For the six months ended 31 December 2020	**Site preparation works projects Unaudited** ***RM'000***	**Civil works projects Unaudited** ***RM'000***	**Building works projects Unaudited** ***RM'000***	**Total Unaudited** ***RM'000***
Customer A	**–**	**1,000**	**4,849**	**5,849**
Customer B	**–**	**–**	**5,353**	**5,353**
Customer C	**–**	**–**	**10,019**	**10,019**
Customer D	**–**	**N/A**	**–**	**N/A**
Customer E	**–**	**9,870**	**–**	**9,870**
Customer F	**–**	**7,690**	**–**	**7,690**

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*
Customer A	–	–	N/A	N/A
Customer B	–	–	N/A	N/A
Customer C	–	–	–	–
Customer D	–	59,429	–	59,429
Customer E	–	22,200	–	22,200
Customer F	–	13,669	–	13,669

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

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	
	2020	2019
	Unaudited	Unaudited
	RM'000	*RM'000*
Recognised over time		
Contract revenue	**51,511**	108,837

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	
	2020	2019
	Unaudited	Unaudited
	RM'000	*RM'000*
Provision of civil and structural works	**59,182**	62,407

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 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

	Six months ended 31 December	
	2020	2019
	Unaudited	Unaudited
	RM'000	*RM'000*
Interest on:		
— bank overdrafts	**21**	25
— term loans	**47**	111
— lease liabilities	**188**	211
— banker's acceptances	**–**	114
	256	461

7. PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended 31 December	
	2020	2019
	Unaudited	Unaudited
	RM'000	*RM'000*
Profit before income tax expense is arrived at after charging/(crediting):		
Short-term leases expenses	**994**	1,141
Depreciation of property, plant and equipment	**610**	218
Depreciation of right-of-use assets	**1,307**	1,750
Reversal of impairment loss on trade receivables and contract assets	**(86)**	(86)
Fair value gain on financial assets at fair value through profit or loss	**–**	(454)
Gain on disposal of financial assets at fair value through profit or loss	**(1,130)**	–
Gain on settlement of distribution-in-specie to controlling shareholders	**–**	(3,499)
Employee benefits expenses (including directors' and chief executive's emoluments):		
— Wages, salaries and other benefits	**9,426**	11,731
— Contributions to defined contribution plans	**402**	525
Total employee costs	**9,828**	12,256
Less: amounts included in cost of sales	**(6,708)**	(7,988)
	3,120	4,268

8. INCOME TAX EXPENSE

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

	Six months ended 31 December	
	2020	2019
	RM'000	*RM'000*
Malaysian corporate income tax		
— provision for the period	**1,963**	5,439
Deferred tax		
— current period	**86**	–
Income tax expense	**2,049**	5,439

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 six months ended 31 December 2020 and 2019, the Malaysian corporate income tax of Tan Bock Kwee & Sons Sdn. Bhd. ("**TBK**") and Prestasi Senadi Sdn. Bhd. ("**Prestasi Senadi**") is calculated at the statutory tax rate of 24%.

No Hong Kong profits tax has been provided as TBKS Hong Kong Limited ("**TBKS Hong Kong**") has no assessable profit during the six months ended 31 December 2020 and 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	
	2020	2019
	Unaudited	Unaudited
	RM'000	*RM'000*
Earnings		
Profit for the period attributable to owners of the Company	**2,074**	14,650
Number of shares		
Weighted average number of ordinary shares	**1,000,000,000**	880,434,782

The weighted average number of ordinary shares used to calculate the basic earnings per share amounts for the six months ended 31 December 2019 included the weighted average number of shares pursuant to the Share Offer of 250,000,000 shares and 750,000,000 shares, representing the number of ordinary shares of the Company immediately following the capitalisation issue of 749,999,900 shares (the "**Capitalisation Issue**") as disclosed in the Prospectus, as if these shares had been in issue throughout the six months ended 31 December 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 six months ended 31 December 2020 and 2019.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2020 and 2019.

11. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December 2020	As at 30 June 2020
	Unaudited	Audited
	RM'000	*RM'000*
Trade receivables	**13,871**	15,683
Less: Allowance for impairment losses	**(357)**	(362)
	13,514	15,321
Advances paid to subcontractors and suppliers	**63**	33
Other receivables	**147**	199
Deposits	**430**	462
Prepayments	**1,153**	703
	15,307	16,718

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 31 December 2020 and 30 June 2020 are as follows:

	As at 31 December 2020 Unaudited *RM'000*	As at 30 June 2020 Audited *RM'000*
1 to 90 days	**6,572**	11,840
91 to 180 days	**2,573**	3,266
Over 180 days	**4,726**	577
	13,871	15,683

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 Period, a reversal of provision of RM5,000 (2019: RM86,000) was made against the gross amounts of trade receivables.

12. CONTRACT ASSETS

	As at 31 December 2020 Unaudited *RM'000*	As at 30 June 2020 Audited *RM'000*
Contract assets	**34,813**	49,921
Less: Allowances for impairment losses	**(184)**	(265)
	34,629	49,656

As at 31 December 2020 and 30 June 2020, included in contract assets were accrued billings totalling RM18,480,000 and RM18,735,000 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 as at the reporting date in respect of civil and structural works contracts. The balance as at 31 December 2020 decreased as compared to the balance as at 30 June 2020 because there were less contract works performed during the Period.

As at 31 December 2020 and 30 June 2020, retention money for contract works amounted to RM16,333,000 and RM31,186,000, 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 2020 decreased since there were less 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 2020 Unaudited ***RM'000***	As at 30 June 2020 Audited *RM'000*
Within one year	**6,049**	5,830
After one year	**10,284**	25,356
	16,333	31,186

The Group applied the simplified approach to provide for ECLs prescribed by IFRS 9. During the Period, a reversal of provision of RM81,000 was made against the gross amounts of contract assets (2019: Nil).

13. TRADE AND OTHER PAYABLES

	As at 31 December 2020 Unaudited ***RM'000***	As at 30 June 2020 Audited *RM'000*
Trade payables	**17,449**	26,416
Retention payables	**3,934**	2,841
Accruals	**2,229**	5,086
Other payables	**–**	5
	23,612	34,348

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 2020 and 30 June 2020 are as follows:

	As at 31 December 2020 Unaudited ***RM'000***	As at 30 June 2020 Audited *RM'000*
Within 30 days	**8,959**	3,610
31 to 60 days	**762**	1,777
61 to 90 days	**1,726**	7,335
Over 90 days	**6,002**	13,694
	17,449	26,416

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** *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 2020 and 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 31 December 2020 and 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 (B.V.I.) Limited 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) of which approximately RM1.3 million (or HK$2.5 million equivalent) was credited to the Company's share capital, and the remaining balance of approximately RM65.0 million (HK$122.5 million equivalent) before deduction of share issuance expenses, was credited to the share premium account. The share premium account can be used for deduction of share issuance expenses. 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. EVENTS AFTER THE REPORTING PERIOD

The global spread of the COVID-19 pandemic ("**COVID-19**") since early 2020 has since exerted a significant impact on the Group's revenue and earnings for the Period. Various measures had been implemented by the Malaysian government to contain the spread of COVID-19, including the enforcement of Movement Control Order ("**MCO**") in March 2020 and later the Conditional Movement Control Order ("**CMCO**") and Recovery Movement Control Order ("**RMCO**") which was due to expire in 2020. However, the third wave of COVID-19 started in September 2020 and the Malaysian Government imposed CMCO in certain states in October 2020 which restricted inter-district travelling and shortening of operating hours for businesses. The COVID-19 daily new cases continued to achieve new record high and subsequently in January 2021, a state of emergency was declared until August 2021 (where the Parliament is suspended) and MCO was re-introduced ("**MCO 2.0**").

Under MCO 2.0, only five essential economic sectors are allowed to operate. Currently, MCO 2.0 is still in force in certain states and inter-district and inter-state travelling are still not allowed.

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. The Group's results and performance continue to be subject to uncertainties in market conditions, consumer sentiment and other factors such as implementation of other COVID-19 prevention measures or the relaxation of these measures, roll-out of vaccines inoculation and a possible snap election in the later part of the year. Hence it is not possible to estimate the potential impact on the financial results and financial position 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 Listing on 30 September 2019 marked a milestone for the Group in 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.

Due to the sudden and rapid spread of the COVID-19 across the globe in early 2020, a series of precautionary and control measures have been undertaken by government across the world including Hong Kong and Malaysia. In March 2020, the Malaysian Government imposed the MCO and in June 2020, the MCO was replaced with the RMCO which was intended to last until end of December 2020. However, the sharp spike in new cases under the third wave of COVID-19 in September 2020 forced the Malaysian Government to impose CMCO in certain states in October 2020 which imposed restriction on inter-district and inter-state travelling, shortening of operating hours for businesses and closure of entertainment and recreational outlets. The RMCO and CMCO have adversely affected the usual business activities of the country and disrupted the Group's daily operations for the Period.

As part of the new norm under the MCO, CMCO and RMCO, the Group has implemented the required yet constant changing Standard Operating Procedures and took extra preventive measures including but not limited to mandatory COVID-19 testing for workers, frequent disinfection within the Company premises as well as practising social distancing.

The management of the Group has taken all the relevant actions to minimise the unfavourable impact on the Group and is closely monitoring the situation. The Group's results and performance continue to be subject to uncertainties in market conditions, consumer sentiment and other factors such as implementation of other COVID-19 prevention measures or the relaxation of these measures, roll-out of vaccine inoculation and a possible snap election in the later part of the year. Although it is not possible to estimate the potential impact on the financial results of the Group as at the date of this announcement, we believe that the calamity brought by COVID-19 will eventually pass 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 six months ended 31 December 2020 and 2019:

	For the six months ended 31 December			
	2020		2019	
		approximately		*approximately*
	RM'000	***%***	*RM'000*	*%*
Site preparation projects	**–**	**0.0**	151	0.1
Civil works projects	**31,117**	**60.4**	102,752	94.4
Building works projects	**20,394**	**39.6**	5,934	5.5
	51,511	**100.0**	108,837	100.0

The Group's revenue decreased by approximately 52.7% from approximately RM108.8 million for the six months ended 31 December 2019 to approximately RM51.5 million for the Period. The decrease was mainly attributable to the ongoing COVID-19 pandemic, the implementation of RMCO and CMCO where the Group's operations were significantly disrupted and postponement in contract awards, deferment of new projects and other oil and gas industry activities and intense competition for available contract works. As a result, the Group recorded a significant drop in revenue for the Period.

Site preparation works projects

During the Period, the Group did not record any revenue from site preparation works projects (2019: RM0.2 million) since all such projects were completed during the financial year ended 30 June 2020. Further, no new projects was started during the Period.

Civil works projects

Revenue from civil works projects decreased from approximately RM102.8 million for the six months ended 31 December 2019 to approximately RM31.1 million for the Period, representing a decrease of approximately 69.7%.

The decrease was mainly due to the drop of revenue for Project 11 (approximately RM55.8 million) which was near completion during the Period, Project 13 (approximately RM12.3 million) which was completed during the Period, Project 20 (approximately RM6.0 million) which was completed during the Period, and Project 22 (approximately RM2.1 million). The decrease was partially offset by the rise in revenue from Project 1 (approximately RM2.0 million) and Project 25 (approximately RM2.5 million) both of which were on-going, and Project 26 (approximately RM1.0 million) which commenced during the Period.

Building works projects

Revenue from building works projects increased from approximately RM5.9 million for the six months ended 31 December 2019 to approximately RM20.4 million for the Period, representing an increase of approximately 243.7%. The increase was attributable to Project 23 (approximately RM4.8 million) and Project 24 (approximately RM10.0 million) both of which were commenced during the Period. The increase was partially offset by the drop in revenue for Project 19 (approximately RM0.6 million) which was completed during the Period.

OUTLOOK

As reported by Bank Negara Malaysia in its report "Economic and Financial Developments in Malaysia in the 4th Quarter of 2020" released in February 2021, Malaysian economy registered a negative growth of 3.4% in the fourth quarter (3Q 2020: -2.6%), largely attributable to the imposition of the CMCO on a number of states since mid-October. For 2020 as a whole, the Malaysian economy contracted by 5.6%. The restrictions on mobility, especially on inter-district and inter-state travel, weighed on economic activity during the fourth quarter. Nevertheless, the continued improvement in external demand provided support to growth. Consequently, except for manufacturing, all economic sectors continued to record negative growth.

While near-term growth in 2021 will be affected by the re-introduction of stricter containment measures, the impact, however, will be less severe than that experienced in 2020. The growth trajectory is projected to improve from the second quarter onwards. The improvement will be driven by the recovery in global demand, where the International Monetary Fund (IMF) has revised upwards their 2021 global growth forecast by 0.3 percentage points to 5.5%. Growth will also be supported by a turnaround in public and private sector expenditure amid continued support from policy measures including PENJANA, KITA PRIHATIN, 2021 Budget and PERMAI, and higher production from existing and new facilities in the manufacturing and mining sectors. The planned vaccine roll-out this year is also expected to lift sentiments.

As for the gross domestic product (GDP) growth target for 2021, the Finance Minister of Malaysia indicated in January 2021 that Malaysia is maintaining its target of between 6.5% and 7.5% despite the emergency declaration and the second round of the movement control order (MCO 2.0) enforcement. However, such forecast is at risk given with what was happening during the MCO 2.0 and the forecast will be at the lower end.

In Petronas's Activity Outlook 2021–2023 released in December 2020, it was stated that "the outlook in the Oil and Gas Industry remains challenging due to emerging fresh waves in the number of COVID-19 cases and prevailing uncertainty over OPEC+ production cuts in 2021. It is believed that the industry is now contending with a great reset. This is an undeniable and unavoidable imperative requiring immediate reforms along the whole value chain."

At the date of this announcement, the MCO 2.0/CMCO is still in force. Against this backdrop, we expect the current financial year 2021 to be extremely challenging for the Group due to the postponement in contract works by project owners, deferment and scarcity of new capital intensive projects and other oil and gas industry activities, and intense competition for available contract works. However, we also believe that recovery may be forthcoming towards later part of the year. In this regard, the Group is actively exploring opportunities in both East and West Malaysia, 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 unprecedented turbulent time and emerge stronger on the other side.

Projects on hand

As at 31 December 2020, the Group had 10 (30 June 2020: 11) 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 Integrated 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	April 2021
Project 18	Petro-chemical plants in East Malaysia	Civil works	Non-PIPC	March 2019	February 2022
Project 22	A refinery at Port Dickson	Civil works	Non-PIPC	November 2019	April 2021
Project 23	A refinery at Pengerang	Building works	PIPC	December 2019	April 2021
Project 25	A refinery at Port Dickson	Civil and Building works	Non-PIPC	June 2020	March 2021
Project 26	A gas refinery at Paka	Civil works	Non-PIPC	September 2020	July 2021
Project 27	A palm oil plant at Pasir Gudang	Building works	Non-PIPC	December 2020	April 2021
Project 28	A petro-chemical plant at Kerteh	Civil works	Non-PIPC	December 2020	September 2021
Project 29	A petro-chemical plant at Pengerang	Civil works	PIPC	December 2020	May 2021

FINANCIAL REVIEW

Revenue

The Group's revenue decreased by approximately 52.7% from approximately RM108.8 million for the six months ended 31 December 2019 to approximately RM51.5 million for the Period. The decrease was mainly attributable to the ongoing COVID-19 pandemic, the implementation of RMCO and CMCO where the Group's operations were significantly disrupted and postponement in contract awards, deferment of new projects and other oil and gas industry activities and intense competition for available contract works. As a result, the Group recorded a significant drop in revenue for the Period.

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 2020 and 2019:

	For the six months ended 31 December			
	2020		2019	
		approximately		*approximately*
	RM'000	**%**	*RM'000*	%
Direct material	**6,566**	**15.6**	15,242	18.6
Subcontracting charges	**23,249**	**55.4**	52,797	64.4
Direct labour	**6,708**	**16.0**	8,033	9.8
Rental of machinery and equipment	**514**	**1.2**	1,141	1.4
Depreciation	**1,482**	**3.5**	1,455	1.8
Other costs	**3,466**	**8.3**	3,295	4.0
Total	**41,985**	**100.0**	81,963	100.0

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 decreased from approximately RM82.0 million for the six months ended 31 December 2019 to approximately RM42.0 million for the Period, representing an decrease of approximately 48.8% which 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 RM26.9 million for the six months ended 31 December 2019 to RM9.5 million for the Period, respectively, representing a decrease of approximately 64.6%. With combined effects of revenue and cost of sales, the Group's gross profit margin decreased from approximately 24.7% to 18.5% for the six months ended 31 December 2019 and 2020, respectively.

Administrative expenses

The Group's administrative expenses decreased from approximately RM6.7 million for the six months ended 31 December 2019 to approximately RM5.6 million for the Period. Such decrease was mainly attributable to (i) the decrease in staff costs; and (ii) the decrease in short-term lease expenses. The administrative expenses of the Group primarily consist of depreciation, staff costs, repair and maintenance, legal and professional fees and other charges.

Finance costs

Finance costs represented interest on bank overdrafts, term loans, lease liabilities and banker's acceptances. For the six months ended 31 December 2019 and 2020, the Group recorded finance costs of approximately RM0.4 million and RM0.3 million, respectively.

Listing expenses

During the Period, the Group did not record any listing expenses (2019: RM3.8 million).

Income tax expense

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 six months ended 31 December 2019 and 2020, the Malaysian corporate income tax of TBK and Prestasi Senadi is calculated at the statutory tax rate of 24%.

No Hong Kong profits tax has been provided as TBKS Hong Kong has no assessable profit during the six months ended 31 December 2019 and 2020.

The Group's income tax expense was approximately RM5.4 million and RM2.0 million for the six months ended 31 December 2019 and 2020, 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 RM14.7 million and RM2.1 million for the six months ended 31 December 2019 and 2020, respectively. Earnings per share was approximately RM1.66 sen and RM0.21 sen for the six months ended 31 December 2019 and 2020, respectively.

Key Financial Ratio

	Notes	**As at 30 June 2020**	As at 31 December 2020
Current ratio (times)	*1*	**5.6**	4.2
Quick ratio (times)	*2*	**5.6**	4.2
Gearing ratio (%)	*3*	**5.2**	6.6

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 and borrowings) divided by total equity and multiplied by 100%.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2020,

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 RM9.4 million (30 June 2020: RM39.6 million) and approximately RM89.0 million (30 June 2020: RM47.3 million) respectively, most of which were denominated in HK$ and RM.

c. the Group had lease liabilities and bank borrowings of approximately RM5.6 million (30 June 2020: RM6.2 million) and RM1.7 million (30 June 2020: RM3.0 million) respectively. All lease liabilities and bank borrowings were denominated in RM.

d. the Group's total equity attributable to owners of the Company was approximately RM140.4 million (30 June 2020: RM139.6 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 an interim dividend for the Period (2019: nil).

Significant Investments, Material Acquisitions or Disposals of Subsidiaries and Associated Companies

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

Capital Commitments

As at 31 December 2020, the Group had no significant capital commitments (30 June 2020: nil).

Pledge of Assets

As at 31 December 2020, the freehold land, freehold land and buildings, right-of-use assets of the Group with total net carrying amount of approximately RM9.3 million (30 June 2020: RM9.3 million) and time deposits and bank balances of approximately RM9.4 million (30 June 2020: RM39.6 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 interim 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 31 December 2020, the Group had no significant contingent liabilities or outstanding litigation (30 June 2020: nil).

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 for the Period.

Employees and Remuneration Policy

As at 31 December 2020, the Group had 373 (30 June 2020: 422) 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. The remuneration package the Group offers to its staff includes basic salary, discretionary bonuses and allowance. For the Period, the Group's employee cost, including Directors' emoluments, were approximately RM9.8 million (2019: RM12.3 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 31 December 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
	—	Additional staff costs for retaining the aforesaid additional staff
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
To acquire business	—	To acquire engineering contractors which have Bumiputera ownership

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 amounted to approximately HK$85.0 million (equivalent to RM45.0 million). As at 31 December 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 *HK$' million*	**Approximate % of the Net Proceeds**	**Actual use of proceeds during the Relevant Period** *HK$' million*	**Balance of unutilized proceeds as at 31 December 2020** *HK$' million*	**Expected timeline for unutilized proceeds**
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	10.0	11.8%	–	10.0	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%	5.1	21.6	30 June 2022
To acquire business	13.4	15.8%	–	13.4	30 June 2022
To set aside for working capital purpose	3.6	4.2%	3.6	–	
	80.4	94.6%	8.7	71.7	

The Group has experienced significant disruption to its operations arising from the COVID-19 pandemic and the MCO for the financial year ended 30 June 2020 and the Period, 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 works. 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 30 June 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 31 December 2020, the total number of Shares available for issue under the Share Option 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 2020 and no share option was exercised or cancelled or lapsed during the Period.

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

No purchase, sale or redemption of the Company's listed securities was made by the Company or any of its subsidiaries during the 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 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 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 Ying Kit and Mr. Wong Sze Lok. The chairman of the Audit Committee is Mr. Chu Hoe Tin.

The interim financial results of the Group for the Period 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.

PUBLICATION ON THE COMPANY AND STOCK EXCHANGE'S WEBSITES

This interim results announcement is published on the websites of the Company (www.tbkssb.com.my) and the Stock Exchange (www.hkexnews.hk), respectively. The interim report of the Company for the Period 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 February 2021

As at the date of this announcement, the Board comprises Mr. Tan Hun Tiong, Mr. Tan Han Peng and Mr. Tang Zhiming as executive Directors; Ms. Chooi Pey Nee as non-executive Director; and Mr. Chu Hoe Tin, Mr. Ng Ying Kit and Mr. Wong Sze Lok as independent non-executive Directors.