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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 2023

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 2023 (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 2023

		Six months ended 31 December	
		2023	2022
		Unaudited	Unaudited
	<i>Notes</i>	RM’000	<i>RM’000</i>
Revenue	5	64,699	301,962
Cost of sales		(62,067)	(289,722)
		<hr/>	<hr/>
Gross profit		2,632	12,240
Other income and gains and losses		(182)	2,480
Selling and distribution expenses		(450)	(890)
Administrative expenses		(10,403)	(9,853)
Impairment loss on trade receivables and contract assets, net		(1,951)	(90)
Reversal of impairment loss on advances paid to subcontractors and suppliers		–	1,146
Finance costs	6	(187)	(375)
Share of (loss)/profit of an associate, net of tax		(22)	2
		<hr/>	<hr/>
(Loss)/profit before income tax expense	7	(10,563)	4,660
Income tax expense	8	(3)	(2,047)
		<hr/>	<hr/>

	Six months ended	
	31 December	
	2023	2022
	Unaudited	Unaudited
<i>Notes</i>	RM'000	<i>RM'000</i>
(Loss)/profit for the period	(10,566)	2,613
Other comprehensive income for the year, net of tax:		
Item that will not be reclassified subsequently to profit or loss:		
Exchange differences on translation of the Company's financial statements into its presentation currency	(25)	–
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	709	(1,753)
Other comprehensive income for the year	684	(1,753)
Total comprehensive income for the period	(9,882)	860
(Loss)/profit attributable to:		
— Owners of the Company	(10,107)	2,415
— Non-controlling interests	(459)	198
	(10,566)	2,613
Total comprehensive income attributable to:		
— Owners of the Company	(9,444)	688
— Non-controlling interests	(438)	172
	(9,882)	860
(Loss)/earnings per share		
— Basic (<i>RM</i>)	(1.01) sen	0.24 sen
— Diluted (<i>RM</i>)	(1.01) sen	0.24 sen

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

		As at 31 December 2023 Unaudited RM'000	As at 30 June 2023 Audited RM'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		16,275	18,012
Intangible assets		322	392
Interest in an associate		126	148
		16,723	18,552
Current assets			
Trade receivables, other receivables, deposits and prepayments	<i>11</i>	58,996	60,762
Contract assets	<i>12</i>	52,908	37,352
Inventories		24,610	25,575
Pledged time deposits		6,445	6,437
Cash and cash equivalents		35,581	45,928
Tax recoverable		3,096	3,096
		181,636	179,150
Current liabilities			
Trade and other payables	<i>13</i>	46,807	36,271
Contract liabilities		8,622	6,119
Lease liabilities		1,007	1,692
Bank and other borrowings		5,159	6,384
Tax payable		1,509	1,541
		63,104	52,007
Net current assets		118,532	127,143
Total assets less current liabilities		135,255	145,695

		As at 31 December 2023 Unaudited RM'000	As at 30 June 2023 Audited RM'000
Non-current liabilities			
Lease liabilities		44	470
Bank and other borrowings		615	747
Deferred tax liabilities		12	12
		<u>671</u>	<u>1,229</u>
NET ASSETS		<u>134,584</u>	<u>144,466</u>
Equity			
Share capital	14	5,300	5,300
Reserves		128,270	137,714
		<u>133,570</u>	<u>143,014</u>
Equity attributable to owners of the Company		133,570	143,014
Non-controlling interests		1,014	1,452
		<u>134,584</u>	<u>144,466</u>
TOTAL EQUITY		<u>134,584</u>	<u>144,466</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2023

1. 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 (the "**Share (s)**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of share offer (the "**Share Offer**").

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of civil and structural works in Malaysia and the People's Republic of China (the "**PRC**") and trading of oil and related products in the PRC. The ultimate holding company of the Company is TBK & Sons International Limited ("**TBKS International**") which is incorporated in the British Virgin Islands. The controlling shareholders of the Company are Mr. Tan Hun Tiong and Mr. Tan Han Peng.

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.

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 2023 (the "**2023 Financial Statements**") and the amended International Financial Reporting Standards ("**IFRS(s)**") which are effective for the annual period beginning on or after 1 July 2023 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 2023 Financial Statements, and should be read in conjunction with the 2023 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**”), as in the opinion of the Directors, it presents more relevant information to management who monitors the performance and financial position of the Group based on RM. All values are rounded to the nearest thousand (RM’000) except when otherwise indicated.

3. ADOPTION OF AMENDED IFRSs

(a) Adoption of amended IFRSs

In the Period, the Group has adopted all the amended IFRSs which are effective for the annual period beginning on or after 1 July 2023 and relevant to the Group. The adoption of these amendments had no significant impact on the results and financial position of the Group.

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

The following amended IFRSs, potentially relevant to the Group’s consolidated 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 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to IAS 1	Classification of Liabilities as Current or Non-Current (“ 2020 Amendment ”) ^{1,2}
Amendments to IAS 1	Non-Current Liabilities with Covenants (the “ 2022 Amendment ”) ¹
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback ¹

¹ Effective for annual periods beginning on or after 1 January 2024.

² As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.

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 in Malaysia and the PRC and trading of oil and related products in the PRC.

One of the executive Directors 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 segments

The Group’s operating segments are managed separately as each business offers different services and requires different business strategies. The Group has the following five reportable segments:

- (i) Site preparation works projects
- (ii) Civil works projects
- (iii) Building works projects
- (iv) Construction and renovation works projects
- (v) Trading of oil and related products

The CODM monitors the results of the Group’s operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on gross profit of each reportable segment.

Segment revenue and results

For the six months ended 31 December 2023	Site preparation works projects Unaudited <i>RM'000</i>	Civil works projects Unaudited <i>RM'000</i>	Building works projects Unaudited <i>RM'000</i>	Construction and renovation works projects Unaudited <i>RM'000</i>	Trading of oil and related products Unaudited <i>RM'000</i>	Total Unaudited <i>RM'000</i>
Revenue						
Revenue from external customers	3,000	28,754	-	27,621	5,324	64,699
Segment cost of sales	<u>(2,842)</u>	<u>(27,085)</u>	<u>-</u>	<u>(26,830)</u>	<u>(5,310)</u>	<u>(62,067)</u>
Gross profit	<u>158</u>	<u>1,669</u>	<u>-</u>	<u>791</u>	<u>14</u>	<u>2,632</u>
Other income and gains and losses						(182)
Selling and distribution expenses						(450)
Administrative expenses						(10,403)
Impairment loss on trade receivables and contract assets, net						(1,951)
Finance costs						(187)
Share of loss of an associate, net of tax						<u>(22)</u>
Loss before income tax expense						(10,563)
Income tax expense						<u>(3)</u>
Loss for the Period						<u><u>(10,566)</u></u>

For the six months ended 31 December 2022	Site preparation works projects Unaudited RM'000	Civil works projects Unaudited RM'000	Building works projects Unaudited RM'000	Construction and renovation works projects Unaudited RM'000	Trading of oil and related products Unaudited RM'000	Total Unaudited RM'000
Revenue						
Revenue from external customers	–	21,271	2,000	16,271	262,420	301,962
Segment cost of sales	–	(19,164)	(1,376)	(14,613)	(254,569)	(289,722)
Gross profit	–	2,107	624	1,658	7,851	12,240
Other income and gains and losses						2,480
Selling and distribution expenses						(890)
Administrative expenses						(9,853)
Impairment loss on trade receivables and contract assets, net						(90)
Reversal of impairment loss on advances paid to subcontractors and suppliers						1,146
Finance costs						(375)
Share of loss of an associate, net of tax						2
Profit before income tax expense						4,660
Income tax expense						(2,047)
Profit for the Period						2,613

Other segment information

For the 6 months ended 31 December 2023	Site preparation works projects <i>RM'000</i>	Civil works projects <i>RM'000</i>	Building works projects <i>RM'000</i>	Construction and renovation works projects <i>RM'000</i>	Trading of oil and related products <i>RM'000</i>	Total <i>RM'000</i>
Depreciation of items of property, plant and equipment						
Operating segments	29	281	-	76	135	521
Amount unallocated						<u>164</u>
						<u><u>685</u></u>
Depreciation of items of right-of-use assets						
Operating segments	52	492	-	-	618	1,162
Amount unallocated						<u>17</u>
						<u><u>1,179</u></u>
For the 6 months ended 31 December 2022	Site preparation works projects <i>RM'000</i>	Civil works projects <i>RM'000</i>	Building works projects <i>RM'000</i>	Construction and renovation works projects <i>RM'000</i>	Trading of oil and related products <i>RM'000</i>	Total <i>RM'000</i>
Depreciation of items of property, plant and equipment						
Operating segments	-	365	34	68	148	615
Amount unallocated						<u>312</u>
						<u><u>927</u></u>
Depreciation of items of right-of-use assets						
Operating segments	-	608	57	-	1,363	2,028
Amount unallocated						<u>17</u>
						<u><u>2,045</u></u>

(b) **Geographical information**

The Group's operations are located in Hong Kong, Malaysia and the PRC.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location of customers from which the sales transactions originated.

The non-current assets based on the geographical location of the Group's assets do not include intangible assets and interest in an associate ("Specified non-current assets").

	Revenue from external customers For the six months ended 31 December		Specified non-current assets	
	2023 Unaudited RM'000	2022 Unaudited RM'000	As at 31 December 2023 Unaudited RM'000	As at 30 June 2023 Audited RM'000
Hong Kong	–	–	7	11
Malaysia	31,754	23,271	14,590	15,495
PRC	32,945	278,691	1,678	2,506
	<u>64,699</u>	<u>301,962</u>	<u>16,275</u>	<u>18,012</u>

(c) **Major customers**

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

	Six months ended 31 December	
	2023 Unaudited RM'000	2022 Unaudited RM'000
Trading of oil and related products		
Customer A	–	145,829
Customer B	–	86,786
Civil and structural works		
Customer C	14,970	N/A
Customer D	8,807	–
Customer E	8,527	–

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 and trading of oil and related products.

An analysis of the Group's revenue from contracts with customers is as follows:

	Six months ended	
	31 December	
	2023	2022
	Unaudited	Unaudited
	RM'000	RM'000
<i>Recognised over time</i>		
Contract revenue	59,375	39,542
<i>Recognised at point in time</i>		
Trading of oil and related products	<u>5,324</u>	<u>262,420</u>
	<u>64,699</u>	<u>301,962</u>

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.

	As at 31 December	
	2023	2022
	Unaudited	Unaudited
	RM'000	RM'000
Provision of civil and structural works	<u>34,047</u>	<u>46,253</u>

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 2023 and 2022 will be recognised as revenue during next 15 months (2022: in the next 24 months).

6. FINANCE COSTS

	Six months ended	
	31 December	
	2023	2022
	Unaudited	Unaudited
	RM'000	RM'000
Interest on:		
— bank overdrafts	10	10
— bank and other borrowings	104	185
— lease liabilities	73	180
	<u>187</u>	<u>375</u>

7. (LOSS)/PROFIT BEFORE INCOME TAX EXPENSE

	Six months ended	
	31 December	
	2023	2022
	Unaudited	Unaudited
	RM'000	RM'000
(Loss)/profit before income tax expense is arrived at after charging/(crediting):		
Short-term leases expenses	2,071	807
Depreciation of property, plant and equipment	685	927
Depreciation of right-of-use assets	1,179	2,045
Impairment loss on trade receivable and contract assets	2,158	772
Reversal of impairment loss on trade receivable and contract assets	(207)	(682)
Impairment loss on trade receivables and contract assets, net	1,951	90
Reversal of impairment loss on advances paid to subcontractors and suppliers	–	(1,146)
Write-off of property, plant and equipment	2	–
Gain on disposal of freehold land	–	(1,319)
Employee benefits expenses (including directors' and chief executives' emoluments):		
— Wages, salaries and other benefits	14,232	11,172
— Contributions to defined contribution plans	892	692
Total employee costs	<u>15,124</u>	<u>11,864</u>
Less: amounts included in cost of sales	<u>(9,013)</u>	<u>(6,064)</u>
	<u>6,111</u>	<u>5,800</u>

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	
	2023	2022
	Unaudited	Unaudited
	RM'000	RM'000
Malaysian corporate income tax — provision for the period	—	27
PRC enterprise income tax — provision for the period	3	2,020
Income tax expense	<u>3</u>	<u>2,047</u>

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 2023 and 2022, the Malaysian corporate income tax applicable to Tan Bock Kwee & Sons Sdn. Bhd. (“**TBK**”) and Prestasi Senadi Sdn. Bhd. (“**Prestasi Senadi**”) is calculated at the statutory tax rate of 24%. No provision for Malaysian income tax has been provided as TBK and Prestasi Senadi have no assessable profits for the six months ended 31 December 2023.

The provision for PRC enterprise income tax for 聯高能源(山東)有限公司 (Liangao Energy (Shandong) Company Limited) (“**Liangao Shandong**”) is based on a statutory rate of 25% of the assessable profit for the six months ended 31 December 2022 as determined in accordance with the relevant income tax rules and regulations of the PRC. No provision for PRC enterprise income tax has been provided for Liangao Shandong as this subsidiary has no assessable profit for the six months ended 31 December 2023.

Pursuant to the Notice on the Policies of Income Tax Preferences for Enterprises in Hainan Free Trade Port (Cai Shui [2020] No. 31) jointly issued by the Department of Finance of Hainan Province and the Hainan Province Tax Service Bureau of State Taxation Administration, the Group’s subsidiary, 港聯高能源(海南)有限公司 (Gangliangao Energy (Hainan) Company Limited (“**Gangliangao Hainan**”), is subject to enterprise income tax at the preferential rate of 15% from 1 January 2020 to 31 December 2024. No provision for PRC enterprise income tax has been provided for Gangliangao Hainan as this subsidiary has no assessable profit for the six months ended 31 December 2023 and 2022.

Other than the above-mentioned subsidiaries, certain PRC subsidiaries are eligible as a small low-profit enterprise and is subject to the preferential tax treatment for the six months ended 31 December 2023 and 2022. The portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% of taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 25% of taxable income amount, and be subject to enterprise income tax at 20% tax rate.

No Hong Kong profits tax has been provided as the Group has no assessable profit for the six months ended 31 December 2023 and 2022.

9. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per Share attributable to the owners of Company is based on the following data:

	Six months ended	
	31 December	
	2023	2022
	Unaudited	Unaudited
	RM'000	RM'000
(Loss)/earnings		
(Loss)/profit for the period attributable to owners of the Company	<u>(10,107)</u>	<u>2,415</u>
Number of Shares		
Weighted average number of ordinary Shares for the purposes of basic earnings per Share	1,000,000,000	1,000,000,000
Effect of dilutive potential ordinary Shares: — Share options	<u>389,552</u>	<u>1,750,503</u>
Weighted average number of ordinary Shares for the purposes of diluted earnings per Share	<u>1,000,389,552</u>	<u>1,001,750,503</u>

No adjustment has been made to the basic loss per share amount presented for the six months ended 31 December 2023 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per share amount presented.

The weighted average number of ordinary Shares used to calculate the diluted earnings per Share amount for the six months ended 31 December 2022 included the weighted average number of Shares deemed to be issued at nil consideration pursuant to options of 10,000,000 shares granted on 12 May 2021.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 31 December 2023 and 2022.

11. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December 2023 Unaudited RM'000	As at 30 June 2023 Audited RM'000
Trade receivables	44,894	57,656
Less: Allowance for impairment losses	<u>(4,818)</u>	<u>(3,339)</u>
	40,076	54,317
Advances paid to subcontractors and suppliers	3,250	4,184
Other receivables	1,147	839
Deposits	14,358	855
Prepayments	<u>165</u>	<u>567</u>
	<u>58,996</u>	<u>60,762</u>

Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 7 days to 180 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 2023 and 30 June 2023 are as follows:

	As at 31 December 2023 Unaudited RM'000	As at 30 June 2023 Audited RM'000
1 to 90 days	12,063	20,825
91 to 180 days	5,945	8,220
181 to 270 days	8,320	10,592
271 to 360 days	3,108	345
Over 360 days	<u>15,458</u>	<u>17,674</u>
	<u>44,894</u>	<u>57,656</u>

As at 31 December 2023, the Group's trade receivables of approximately RM8,303,000 are secured by the oil and related products owned by a debtor (30 June 2023: RM17,008,000).

During the six months ended 31 December 2023, the Group factoring part of its trade receivables owed by a debtor of RM3,250,000 (30 June 2023: RM3,968,000) with full recourse to a financial institution. In the event of default by the debtor, the Group is obligated to pay the financial institution the amount in default. Interest is charged at 4% (30 June 2023: 6.38%) on the proceeds received from the financial institution until the date the debtor repay or default. The Group is therefore exposed to the risks of credit losses and late payment in respect of the factoring debts.

The Group applies the simplified approach to provide for expected credit losses (“ECLs”) prescribed by IFRS 9. During the Period, a net provision of RM1,479,000 (2022: net provision of RM576,000) was made against the gross amounts of trade receivables.

12. CONTRACT ASSETS

	As at 31 December 2023 Unaudited RM'000	As at 30 June 2023 Audited RM'000
Contract assets	54,832	38,768
Less: Allowances for impairment losses	(1,924)	(1,416)
	<u>52,908</u>	<u>37,352</u>

As at 31 December 2023, included in contract assets were accrued billings totalling RM47,232,000 (30 June 2023: RM33,846,000). 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.

As at 31 December 2023, retention money for contract works amounted to RM7,600,000 (30 June 2023: RM4,922,000), 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. 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 2023 Unaudited RM'000	As at 30 June 2023 Audited RM'000
Within one year	2,381	2,231
After one year	5,219	2,691
	<u>7,600</u>	<u>4,922</u>

The Group applied the simplified approach to provide for ECLs prescribed by IFRS 9. During the Period, a net provision of RM508,000 (2022: net reversal of provision of RM506,000) was made against the gross amounts of contract assets.

13. TRADE AND OTHER PAYABLES

	As at 31 December 2023 Unaudited RM'000	As at 30 June 2023 Audited RM'000
Trade payables	39,318	27,654
Retention payables	1,397	1,352
Accruals	2,429	3,905
Provision for onerous contracts	167	167
Other payables	3,496	3,193
	<u>46,807</u>	<u>36,271</u>

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 days to 180 days from the date of invoice. As at 31 December 2023 and 30 June 2023, certain trade payables were due on presentation.

The ageing analysis of trade payables, based on invoice dates, as at 31 December 2023 and 30 June 2023 are as follows:

	As at 31 December 2023 Unaudited RM'000	As at 30 June 2023 Audited RM'000
Within 30 days	23,481	11,600
31 to 60 days	1,471	1,425
61 to 90 days	271	78
Over 90 days	14,095	14,551
	<u>39,318</u>	<u>27,654</u>

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 <i>HK\$</i>	Amount <i>RM'000</i>
Ordinary Shares of par value of HK\$0.01 each			
Authorised			
At 1 July 2022, 30 June 2023 and 31 December 2023	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>53,000</u>
Ordinary Shares of par value of HK\$0.01 each			
Issued and fully paid			
At 1 July 2022, 30 June 2023 and 31 December 2023	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>5,300</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in civil and structural works in Malaysia and the PRC and trading of oil and related products in the PRC. During the Period, the Group's revenue recorded a decrease by approximately RM237.3 million or 78.6% from approximately RM302.0 million for the six months ended 31 December 2022 to approximately RM64.7 million for the Period. The revenue generated from the civil and structural works in Malaysia and the PRC, as well as the trading of oil and related products in the PRC contributed approximately 91.8% (2022: 13.1%) and 8.2% (2022: 86.9%) respectively to the total revenue of the Group.

Although the COVID-19 pandemic situation no longer constituted a public health emergency of international concern in early 2023, the global economic activities are still reeling from the post-pandemic. The situation was further exacerbated by the ongoing geopolitical conflicts, inflation pressure and high interest rates, resulting in a complex and volatile overall business environment.

During the Period, the Group continued to face the multiple challenges including inflation pressure and intense competition for available contract works in the market. Nevertheless, the revenue derived from the civil and structural works in Malaysia and the PRC increased by approximately RM19.8 million or 50.2% as compared to last corresponding period.

However, there was no significant improvement in the PRC's economic environment for the Period. Given the PRC market sentiment was sluggish, coupled with the impacts of property market downturn and the decrease in infrastructure projects in the PRC, the demand for petroleum refining finished products decreased and the prices weakened, which resulted in a decrease in demand for heavy raw oil. Taking into consideration of the impact of the Russia-Ukraine war, and the Isarel-Palestine conflict on international oil prices, the crude oil prices were volatile. The Group was unable to fully shift the extra cost of the increase in suppliers' prices to its customers. Given the weakened market and the requirement of a large amount of capital for international oil trading and new business development, the Group has adopted a prudent approach. As a result of the above, the revenue derived from the trading of oil and related products of the Group significantly decreased, from approximately RM262.4 million for the six months ended 31 December 2022 to approximately RM5.3 million for the Period.

The Group's unaudited loss attributable to owners of the Company for the Period amounted to approximately RM10.1 million (2022: profit of approximately RM2.4 million). The deterioration of financial results for the Period was mainly due to the significant decrease in revenue and profit from the trading of oil and related products in the PRC.

BUSINESS REVIEW

Civil and Structural Works in Malaysia

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. The Group’s 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 2023 and 2022:

	For the six months ended 31 December			
	2023		2022	
	<i>RM’000</i>	<i>approximately</i> %	<i>RM’000</i>	<i>approximately</i> %
Site preparation works projects	3,000	9.4	–	0.0
Civil works projects	28,754	90.6	21,271	91.4
Building works projects	–	0.0	2,000	8.6
	<u>31,754</u>	<u>100.0</u>	<u>23,271</u>	<u>100.0</u>

During the Period, the Group continued to face the multiple challenges including inflation pressure and intense competition for available contract works in the market. Nevertheless, the Group’s revenue from civil and structural works in Malaysia increased by approximately 36.5% from approximately RM23.3 million for the six months ended 31 December 2022 to approximately RM31.8 million for the Period.

Site preparation works projects

During the Period, the Group the revenue from site preparation works project increased RM3.0 million (2022: Nil). Such increase was attributable to the ongoing Project 53 which was commenced during the financial year ended 30 June 2023.

Civil works projects

Revenue from civil works projects increased from approximately RM21.3 million for the six months ended 31 December 2022 to approximately RM28.8 million for the Period, representing an increase of approximately 35.2%.

The increase was mainly attributable to the revenue from Project 1 (approximately RM1.9 million) which was completed for the Period and 4 ongoing projects which were commenced in the previous financial year i.e. Project 30 (approximately RM1.6 million), Project 48 (approximately RM1.8 million), Project 50 (approximately RM3.0 million), Project 52 (approximately RM5.2 million) and Project 54 which was commenced during the Period (approximately RM9.0 million).

The increase was partially offset by the drop in revenue from ongoing Project 40 (approximately RM10.8 million) which was near completion for the Period and 6 projects which were completed during the financial year ended 30 June 2023 and the Period i.e. Project 31 (approximately RM0.7 million), Project 35 (approximately RM0.2 million), Project 42 (approximately RM0.5 million), Project 44 (approximately RM0.3 million), Project 47 (approximately RM1.0 million) and Project 49 (approximately RM1.6 million).

Building works projects

During the Period, the Group did not record any revenue from building works projects and it had not procured any new project during the Period.

Projects on hand

As at the 31 December 2023, the Group had 8 (30 June 2023: 10) projects on hand in Malaysia (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 30	A refinery at Pengerang	Civil works	PIPC	December 2020	March 2024
Project 40	A refinery at Pengerang	Civil works	PIPC	January 2022	March 2024
Project 41	A refinery at Pengerang	Civil works	PIPC	January 2022	December 2024
Project 48	A melamine plant at Kedah	Civil works	Non-PIPC	November 2022	September 2024
Project 50	A chemical plant at Pahang	Civil works	Non-PIPC	December 2022	March 2024
Project 52	A chemical plant at Kedah	Civil works	Non-PIPC	April 2023	March 2024
Project 54	A refinery in Pengerang	Civil works	PIPC	August 2023	August 2024
Project 55	A refinery in Port Dickson	Civil works	No-PIPC	February 2024	June 2024

Civil and Structural Works in the PRC

The Group acquired 75% equity interests of 青島鑫弘耀建設科技有限公司 (Qingdao Xinhongyao Construction Technology Company Limited) (“**Xinhongyao Construction**”) in April 2022, which was established in the PRC and it is currently carrying on business of construction and renovation works projects in the PRC. The scope of business of Xinhongyao Construction included design of construction projects; professional construction operations; residential interior decoration and renovation; general contracting of housing complex and municipal infrastructure projects and various types of engineering construction activities.

Xinhongyao Construction has obtained the Construction Enterprise Qualification Certificate (construction decoration engineering grade II and professional contracting for waterproofing, corrosion and heat preservation engineering grade II), the Construction Enterprise Qualification Certificate (non-graded construction labor service) and the Safety Production License, all of the above-mentioned license certificates are all within the validity period of the certificates.

During the Period, the Group’s revenue from civil and structural works in the PRC was approximately RM27.6 million (2022: RM16.3 million).

The increase in revenue was mainly attributable to 2 projects which were near completion during the financial year ended 30 June 2023 and completed for the Period i.e. Project 9 (approximately RM5.9 million) and Project 11 (approximately RM8.8 million) and 2 ongoing projects i.e. Project 8 (approximately RM0.5 million) and Project 14 (approximately RM8.5 million) and certain construction and renovation works projects (approximately RM0.7 million) which were completed for the Period.

The increase was partially offset by the drop in revenue for 6 projects which were completed or near completion during the financial year ended 30 June 2023 and completed for the Period i.e. Project 1 (approximately RM1.3 million), Project 2 (approximately RM1.8 million), Project 4 (approximately RM0.2 million), Project 5 (approximately RM5.9 million), Project 6 (approximately RM2.7 million) and Project 7 (approximately RM1.2 million).

Projects on hand

As at the 31 December 2023, the Group had 3 project (30 June 2023: 7) projects on hand in PRC (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	Particular and location	Type of works	Commencement date	Expected completion date
Project 8	A college in Laiyang City, Shandong Province	Construction works	January 2023	May 2024
Project 10	A building in Licang district, Qingdao	Renovation works	January 2023	June 2024
Project 14	Road works in Shandong Province	Construction works	December 2023	March 2025

Trading of Oil and Related Products in the PRC

The Group started the trading of oil and related products in the PRC in March 2021. Taking advantage from volatility of oil prices in the international market and the continued recovery of China's economy, which has provided ongoing business opportunities in trading of oil and related products for the Group.

As the weak demand for the oil and related products and the significant drop in orders from our customers in the PRC, it was adversely affected the overall performance of the Group's trading of oil and related products. During the Period under review, the revenue from the trading of oil and related products in the PRC significantly decreased by approximately 98.0% from approximately RM262.4 million for the six months ended 31 December 2022 to approximately RM5.3 million for the Period.

OUTLOOK

The economy headwind remains strong due to the post-pandemic impact, ongoing geopolitical conflicts, the global inflation and high interest rates. Against this backdrop, we expect the financial year 2023/2024 to be equally challenging for the Group in Malaysia due to intense competition for available contract works. In this regard, the Group has been cautious while actively looking for new projects in order to maintain its foothold in the industry besides exploring opportunities in both East and West Malaysia, as well as in neighbouring countries.

Plans in respect of the trading of oil and related products in the PRC:

1. Under the market-oriented approach, the Group will continue to promote the sales of refined oil products.
2. The Group will continue to identify and develop cooperation with large enterprises with state-owned background to enhance the risk resistance of the trading of oil and related products business.
3. The Group will continue to expand its international oil trading business.
4. The Group will continue to strengthen its working capital management in order to promote the smooth operation of oil trade and enable us to have stronger bargaining power and business operation ability when market sentiment continue to improve.
5. The Group will continue to enhance enterprise management and promote the Enterprise Resource Planning System in order to improve the operating efficiency and reduce the operation risks.

Plans in respect of the civil and structural works in the PRC:

The Group will continue to focus on general construction and renovation projects for our operations.

1. The Group will continue to strengthen our position in the existing renovation project market, improve our existing engineering technology, and ensure stable operating income.
2. The Group will acquire the qualification of petroleum projects, establish the construction team of petroleum projects, and develop the market of petroleum projects.

The Board will from time to time review its existing businesses and explores other business/investment opportunities, include but not limited to energy related processing and logistic business with a view to diversify the business of the Group.

FINANCIAL REVIEW

Civil and Structural Works in Malaysia

Revenue

During the Period, the Group's revenue from civil and structural works in Malaysia increased by approximately 36.5% from approximately RM23.3 million for the six months ended 31 December 2022 to approximately RM31.8 million for the Period.

Cost of sales

The Group's cost of sales from civil and structural works in Malaysia 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 2023 and 2022:

	For the six months ended 31 December			
	2023		2022	
	<i>RM'000</i>	<i>Approximately</i> %	<i>RM'000</i>	<i>Approximately</i> %
Direct material	9,708	32.4	6,704	32.6
Subcontracting charges	6,584	22.0	5,092	24.8
Direct labour	8,717	29.1	5,416	26.4
Rental of machinery and equipment	814	2.7	339	1.7
Depreciation	854	2.9	1,064	5.2
Other costs	3,250	10.9	1,925	9.3
Total	<u>29,927</u>	<u>100.0</u>	<u>20,540</u>	<u>100.0</u>

The Group's cost of sales from civil and structural works in Malaysia 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 from civil and structural works in Malaysia increased from approximately RM20.5 million for the six months ended 31 December 2022 to approximately RM29.9 million for the Period, representing an increase of approximately 45.7% which is in line with increase in revenue.

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

Gross profit and gross profit margin

The gross profit from civil and structural works in Malaysia decreased from approximately RM2.7 million for the six months ended 31 December 2022 to RM1.8 million for the Period, representing a decrease of approximately 33.1%. With combined effects of revenue and costs of sales from civil and structural works in Malaysia, the Group's gross profit margin from civil and structural works decreased from approximately 11.7% to 5.8% for the six months ended 31 December 2022 and 2023, respectively.

Civil and Structural Works in the PRC

The Group acquired 75% equity interests of Xinhongyao Construction in April 2022, which was established in the PRC and it is currently carrying on business of construction and renovation works in the PRC. The scope of business of Xinhongyao Construction included design of construction projects; professional construction operations; residential interior decoration and renovation; general contracting of housing complex and municipal infrastructure projects and various types of engineering construction activities.

Revenue

During the Period under review, the Group's revenue from the civil and structural works in the PRC was approximately RM27.6 million (2022: RM16.3 million).

Cost of sales

The Group's cost of sales from the civil and structural works in the PRC mainly comprises cost of direct materials, subcontracting fee, direct labour and other direct costs. During the Period under review, the Group's cost of sales from the civil and structural works in the PRC was approximately RM26.8 million (2022: RM14.6 million).

Gross profit and gross profit margin

The Group's gross profit from the civil and structural works in the PRC was approximately RM0.8 million for the Period (2022: RM1.7 million). With combined effects of revenue and cost of sales from the civil and structural works in the PRC, the Group's gross profit margin from civil and structural works in the PRC was approximately 2.9% (2022: 10.2%).

Trading of Oil and Related Products in the PRC

Revenue

During the Period under review, the Group's revenue from trading of oil and related products in the PRC decreased by 98.0% from approximately RM262.4 million for the six months ended 31 December 2022 to approximately RM5.3 million for the Period.

Cost of sales

The Group's cost of sales from trading of oil and related products in the PRC mainly comprises cost of direct materials, storage fee and transportation fee. During the Period under review, the Group's cost of sales from trading of oil and related products in the PRC decreased from RM254.6 million for the six months ended 31 December 2022 to approximately RM5.3 million for the Period, representing a decrease of approximately 97.9% which is in line with decrease in revenue.

Gross profit and gross profit margin

The Group's gross profit from the trading of oil and related products in the PRC was approximately RM0.01 million for the Period (2022: RM7.9 million). With combined effects of revenue and costs of sales from trading of oil and related products, the Group's gross profit margin from trading of oil and related products was 0.3% (2022: 3.0%).

Selling and distribution expenses

The Group's selling and distribution expenses comprised mainly salary and benefits of our sales and marketing staff, entertainment and promotional expenses, travelling and transport expenses in the PRC. During the Period, the selling and distribution expenses were approximately RM0.5 million (2022: RM0.9 million).

Administrative expenses

The Group's administrative expenses increased from approximately RM9.9 million for the six months ended 31 December 2022 to approximately RM10.4 million for the Period. Such increase was mainly attributable to net effect of the increase in staff costs and short-term leases expenses as well as decrease in depreciation 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, lease liabilities and bank's acceptances. For the six months ended 31 December 2023 and 2022, the Group recorded finance costs of approximately RM0.2 million and RM0.4 million, respectively.

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 2023 and 2022, the Malaysian corporate income tax applicable to TBK and Prestasi Senadi is calculated at the statutory tax rate of 24%.

The provision for the PRC enterprise income tax for Liangao Shandong is based on a statutory rate of 25% of the assessable profit for the six months ended 31 December 2023 and 2022 as determined in accordance with the relevant income tax rules and regulations of the PRC.

Pursuant to the Notice on the Policies of Income Tax Preferences for Enterprises in Hainan Free Trade Port (Cai Shui [2020] No. 31) jointly issued by the Department of Finance of Hainan Province and the Hainan Province Tax Service Bureau of State Taxation Administration, Gangliangao Hainan is subject to enterprise income tax at the preferential rate of 15% from 1 January 2020 to 31 December 2024.

Other than the above-mentioned subsidiaries, certain PRC subsidiaries are eligible as a small low-profit enterprise and is subject to the preferential tax treatment for the six months ended 31 December 2023 and 2022. The portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% of taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 25% of taxable income amount, and be subject to enterprise income tax at 20% tax rate.

No Hong Kong profits tax has been provided as the Group has no assessable profit for the six months ended 31 December 2023 and 2022.

The Group's income tax income was approximately RM3,000 for the Period (2022: RM2.0 million).

Loss/profit and Loss/earnings per Share

The Group's loss attributable to owners of the Company for the Period was approximately RM10.1 million (2022: profit of RM2.4 million) and the loss per share for the Period was approximately RM1.01 sen (2022: earnings of RM0.24 sen).

Key Financial Ratio

	<i>Note</i>	As at 31 December 2023	As at 30 June 2023
Current ratio (times)	<i>1</i>	2.9	3.4
Quick ratio (times)	<i>2</i>	2.5	3.0
Gearing ratio (%)	<i>3</i>	5.1	6.4

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

Liquidity, Financial Resources and Capital Structure

As at 31 December 2023,

- 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 as well as cash and cash equivalents of approximately RM6.4 million (30 June 2023: RM6.4 million) and approximately RM35.6 million (30 June 2023: RM45.9 million), respectively, most of which were denominated in Hong Kong Dollar (HK\$), United States Dollar (USD), Malaysian Ringgit (RM) and Renminbi (RMB);
- c. the Group had lease liabilities and bank and other borrowings of approximately RM1.1 million (30 June 2023: RM2.2 million) and RM5.8 million (30 June 2023: RM7.1 million), respectively. All lease liabilities and bank borrowings were denominated in RM and RMB; and
- d. the Group's total equity attributable to owners of the Company was approximately RM133.6 million (30 June 2023: RM143.0 million). The equity 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 (2022: nil).

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

Save as disclosed in this 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 2023, the Group had no significant capital commitments (30 June 2023: nil).

Pledge of Assets

As at 31 December 2023, certain freehold land with carrying amount of RM4.7 million (30 June 2023: RM4.7 million), certain right-of-use assets of leasehold land and buildings with total net carrying amount of approximately RM1.6 million (30 June 2023: RM1.6 million), and time deposit of approximately RM6.4 million (30 June 2023: RM6.4 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, the Group does not have any concrete plan for material investments or capital assets for the coming year.

Contingent Liabilities

As at 31 December 2023, the Group had no significant contingent liabilities or outstanding litigation (30 June 2023: nil).

Pledge of Shares by the Controlling Shareholder

The Company had been notified that an aggregate of 600,000,000 Shares (the “**Pledged Shares**”) held by TBKS International had been pledged on 28 September 2021 in favour of an independent third party (the “**Lender**”) as a security for a loan facility of HK\$180,000,000 provided by the Lender to TBKS International. The Pledged Shares represented 60% of the issued shares capital of the Company as at the date of this announcement.

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, RMB or HK\$, 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 2023, the Group had 541 (30 June 2023: 510) employees (including foreign labour). 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 packages the Group's offer to its staff includes basic salary, discretionary bonuses and allowance. For the Period, the Group's employee cost, including Directors' emoluments, were approximately RM15.1 million (2022: RM11.9 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 of the Company dated 16 September 2019 (the "**Prospectus**") and the announcement of the Company in relation to change in use of proceeds dated 31 January 2022 (the "**Announcement**"), 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) to expand the Group's workforce; (iii) to acquire machinery; (iv) to finance for the upfront expenditures of new projects; (v) to acquire business; (vi) to set aside for working capital purpose; (vii) to expand and develop of the trading of oil and related products (the "**Oil Trading Business**") and (viii) future investment opportunities in project(s) including but not limited to petrochemical, mineral resources, natural resources, financial investment and oil logistics.

An analysis comparing the future plans and use of proceeds contained in the Prospectus and the Announcement with the Group's actual business progress for the period from the Listing Date to 31 December 2023 (the "**Relevant Period**") is set out below:

- | | | | |
|------|--|---|---|
| i. | 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 |
| ii. | 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 |
| iii. | 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 |
| iv. | 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 |
| v. | To acquire business | — | To acquire engineering contractors which have Bumiputera ownership |
| vi. | To set aside for working capital purpose | — | To set aside, together with internal resources of the Group, for general working capital purpose |

- vii. To expand and develop the Oil Trading Business
- To develop northern PRC market of the Oil Trading Business
 - To expand its customer base
 - To secure a supply of higher quality oil products
- viii. Future investment opportunities
- To pursue future investment opportunities in project(s) including but not limited to petrochemical, mineral resources, natural resources, financial investment and oil logistics

Use of Proceeds

The total net proceeds from the Share Offer received by the Company after deducting underwriting fees and other related listing expenses were approximately HK\$85.0 million (equivalent to RM45.0 million) (the “**Net Proceeds**”). As at 31 December 2023, all of the unutilised Net Proceeds (the “**Unutilised Net Proceeds**”) were deposited in the licensed bank in Hong Kong, Malaysia or the PRC. During the Relevant Period, the Net Proceeds has been applied as follows:

	Original allocation of the Net Proceeds disclosed in the Prospectus and the 2019 Annual Report <i>HK\$' million</i>	Revised allocation of the Net Proceeds disclosed in the Announcement <i>HK\$' million</i>	Utilised amount of the Net Proceeds up to 30 June 2023 <i>HK\$' million</i>	Unutilised Net Proceeds brought forward from 30 June 2023 <i>HK\$' million</i>	Utilised amount of Net Proceeds as during the Period <i>HK\$' million</i>	Unutilised Net Proceeds as at 31 December 2023 <i>HK\$' million</i>
i To reserve more capital to satisfy the Group’s potential customers’ requirement for performance bond	8.9	(8.9)	–	–	–	–
ii To expand the Group’s workforce	13.4	(13.4)	–	–	–	–
iii To acquire machinery	17.8	(17.8)	–	–	–	–
iv To finance for the upfront expenditures of new projects	26.7	(8.6)	(11.9)	6.2	–	6.2
v To acquire business	13.4	(13.4)	–	–	–	–
vi To set aside for working capital purpose	4.8	12.1	(16.9)	–	–	–
vii To expand and develop the Oil Trading Business	–	40.0	(40.0)	–	–	–
viii Future investment opportunities	–	10.0	(4.2)	5.8	–	5.8
	<u>85.0</u>	<u>0</u>	<u>(73.0)</u>	<u>12.0</u>	<u>–</u>	<u>12.0</u>

The Unutilised Net Proceeds is expected to be fully utilised within 12 months from the date of the interim report dated 27 February 2023 (i.e. 27 February 2024). Such expected timeline is based on the estimation made by the Group which might be subject to changes in accordance with the change in market conditions from time to time.

SHARE OPTION SCHEME

Pursuant to the written resolutions of all the Shareholders passed on 5 September 2019, the Company adopted 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.

On 12 May 2021, a total of 10,000,000 share options (the “**Share Option(s)**”) were granted to 2 Eligible Persons and each Share Option shall entitle the holder of the Share Option to subscribe for one Share upon exercise of such Share Option at an exercise price of HK\$0.35 per Share. Subject to the terms of the Share Option Scheme, the Share Options shall be exercisable at any time during the period from 12 May 2021 to 11 May 2026 (both dates inclusive). The closing price of the Shares on the date of the grant of the Share Options was HK\$0.34 per Share and the closing price of the Shares immediately before the date of the grant of the Share Options was HK\$0.345 per Share. None of the Grantees is the Director, chief executive or substantial Shareholder of the Company or any of their respective associates (as defined under the Listing Rules) as at the date of grant. Apart from that, no options were granted, exercised, cancelled or lapsed in accordance with the terms of the Share Option Scheme. Details of the above grant of the Share Options were set out in the Company’s announcement dated 12 May 2021.

As at 31 December 2023, the total number of securities available for issue under the Share Option Scheme was 90,000,000, representing 9% of the entire issued share capital of the Company. Movements of Share Options during the Period are as below:

Name of category of participant	Date of grant	Exercise price HK\$	Outstanding at 1 July 2023	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	Outstanding at 31 December 2023	Exercise period of the Share Options
Mr. Lam Tze Chung, a director of a subsidiary of the Company	12 May 2021	0.35	5,000,000	-	-	-	5,000,000	12 May 2021 to 11 May 2026
Employee	12 May 2021	0.35	5,000,000	-	-	-	5,000,000	12 May 2021 to 11 May 2026
Total			<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>	

All the options forfeited before expiry of the options will be treated as lapsed options under the Share Option Scheme.

No Share Option was granted, exercised, cancelled or lapsed during the Period (2022: Nil).

PURCHASE, SALE OR REDEMPTION 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 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 knowledge of the Board, the Company has complied with all the applicable CG Code during the Period. The Board will periodically review 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 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 six months ended 31 December 2023 will be despatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 28 February 2024

As at the date of this announcement, the Board comprises Mr. Tan Hun Tiong, Mr. Tan Han Peng, Mr. Tang Zhiming and Mr. Chen Da 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.