TBK & SONS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1960

Annual Report 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Tan Hun Tiong *(Chairman)*
Mr. Tan Han Peng *(Chief executive officer)*

Non-executive Director

Ms. Chooi Pey Nee

Independent Non-executive Directors

Mr. Tan Chade Phang
Mr. Ng Chiou Gee Willy
Mr. Chu Hoe Tin

AUTHORISED REPRESENTATIVES

Mr. Tan Han Peng
Mr. Lam Wing Tai

AUDIT COMMITTEE

Mr. Chu Hoe Tin *(Chairman)*
Mr. Ng Chiou Gee Willy
Mr. Tan Chade Phang

REMUNERATION COMMITTEE

Mr. Tan Chade Phang *(Chairman)*
Mr. Ng Chiou Gee Willy
Mr. Tan Han Peng

NOMINATION COMMITTEE

Mr. Ng Chiou Gee Willy *(Chairman)*
Mr. Chu Hoe Tin
Mr. Tan Han Peng

COMPANY SECRETARY

Mr. Lam Wing Tai

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN MALAYSIA

Lot 333, Kampung Paya
Batu 2 Jalan Seremban, Port Dickson
Negeri Sembilan, Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 1903, 19/F, West Tower, Shun Tak Centre
168–200 Connaught Road Central,
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR

BDO Limited
(Certified Public Accountants)
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

COMPLIANCE ADVISER

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

CORPORATE INFORMATION

PRINCIPAL BANKERS

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

United Overseas Bank (Malaysia) Bhd
Level 7, Menara UOB
Jalan Raja Laut
50350 Kuala Lumpur
Malaysia

WEBSITE

www.tbkssb.com.my

STOCK CODE

1960

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of TBK & Sons Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**"), I am pleased to present the annual results of the Group for the year ended 30 June 2020 ("**Financial Year**").

The shares (the "**Shares**") of the Company were successfully listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 September 2019 (the "**Listing Date**"). The Listing marked a milestone for the Group's 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 prospectus of the Company dated 16 September 2019 (the "**Prospectus**").

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

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

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

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

BUSINESS REVIEW

The Group is a civil and structural works contractor undertaking civil and structural works in the oil and gas industry in Malaysia with operational history since the 1970s. 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 such as earthwork, demolition works, and temporary facilities and infrastructure construction, including building temporary site offices, canteens, warehouses, etc.; (ii) civil works for process plants, involving reinforced concrete foundations, pipe supports, ponds, pits, underground and open drainage networks, paving work (including the use of gravel, concrete and asphalt) and related plant civil maintenance works; and (iii) building works (including the building of sub-station, field auxiliary rooms, workshop and storage buildings, etc.) in the oil and gas industry.

CHAIRMAN'S STATEMENT

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

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

OUTLOOK

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

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

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

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

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

CHAIRMAN'S STATEMENT

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

APPRECIATION

On behalf of the Board, I would like to express my sincerest gratitude to our valued customers, business partners, subcontractors, suppliers, and Shareholders for their persistent support, while also expressing my appreciation to the management team and employees for their valuable contribution to the development of the Group.

Tan Hun Tiong
Chairman

Hong Kong, 24 September 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The following table sets forth the breakdown of the revenue by nature of works for the years ended 30 June 2020 and 2019:

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

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

Site preparation works projects

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

Civil works projects

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

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

Building works projects

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

Projects on hand

As at 30 June 2020, the Group had 11 (30 June 2019: 12) projects on hand (including projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced). A summary of the projects on hand is set out below:

Project	Particulars and location	Type of works	Pengerang 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	December 2020
Project 13	A refinery at Melaka	Civil works	Non-PIPC	March 2018	December 2020
Project 18	Petro-chemical plants in East Malaysia	Civil works	Non-PIPC	March 2019	February 2022
Project 19	A refinery at Pengerang	Civil and building works	PIPC	April 2019	November 2020
Project 20	A tank farm facilities expansion at Tg Bin	Civil works	Non-PIPC	May 2019	October 2020
Project 22	A refinery at Port Dickson	Civil works	Non-PIPC	November 2019	November 2020
Project 23	A refinery at Pengerang	Building works	PIPC	December 2019	October 2020
Project 24	A tank farm facilities at Tg Bin	Building works	Non-PIPC	January 2020	December 2020
Project 25	A refinery at Port Dickson	Building works	Non-PIPC	June 2020	February 2021
Project 26	A gas refinery at Paka	Civil works	Non-PIPC	September 2020	July 2021

FINANCIAL REVIEW

Revenue

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

Cost of sales

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

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

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

(a) direct materials, which mainly represent direct costs for the purchase of construction materials, such as sand, steel, concrete, wood and fuel, that are directly attributable to the project works;

(b) subcontracting charges, which represents fees and charges paid to or payable to subcontractors who provide civil works, site preparation works and/or building works at project sites;

(c) direct labour, which represents remuneration to employees directly attributable to the projects; and

(d) other costs, which include various miscellaneous expenses such as transportation fee, safety consultancy fee and insurance expenses for the Group's projects.

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

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

Gross profit and gross profit margin

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

Administrative expenses

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

Finance costs

Finance costs represented interest on bank overdrafts, term loans, obligations under finance leases, lease liabilities and banker's acceptances. For the year ended 30 June 2020 and 2019, the Group recorded finance costs of approximately RM0.8 million and RM1.0 million, respectively.

Listing expenses

The Group's estimated listing expenses primarily consist of professional fees and underwriting commission, in relation to the Listing. The listing expenses were estimated to be approximately HK$40.0 million, of which approximately HK$17.3 million (or RM9.2 million equivalent) was directly attributable to the issue of new Shares and deducted from equity in accordance with the relevant accounting standards. The remaining amount of approximately HK$15.5 million (or RM8.2 million equivalent) and HK$7.2 million (or RM3.8 million equivalent) were chargeable to the consolidated statements of profit or loss and other comprehensive income for the year ended 30 June 2019 and 2020, respectively.

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

Income tax expense

For the year ended 30 June 2020, the Malaysian income tax of Tan Bock Kwee & Sons Sdn. Bhd. ("**TBK**") and Prestasi Senadi Sdn. Bhd. ("**Prestasi Senadi**") is calculated at the statutory tax rate of 24%.

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

Profit and total comprehensive income and Earnings per Share

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

Key Financial Ratio

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

Notes:

1. Current ratio is total current assets divided by total current liabilities.
2. Quick ratio is total current assets less inventories divided by total current liabilities.
3. Gearing ratio is total debt (i.e. sum of all obligations under finance leases, lease liabilities, borrowings and amounts due to Directors) divided by total equity and multiplied by 100%.
4. Debt to equity ratio is total debt (i.e. sum of all obligations under finance leases, lease liabilities, borrowings and amounts due to Directors) less cash and cash equivalents divided by total equity and multiplied by 100%.
5. Return on equity is profit for the year divided by total equity and multiplied by 100%.
6. Return on assets is profit for the year divided by total assets and multiplied by 100%.
7. Interest coverage is profit before interest and tax divided by finance costs.

Liquidity, Financial Resources and Capital Structure

As at 30 June 2020,

a. the Company's issued capital was RM5.3 million (or HK$10.0 million equivalent) and the number of its issued ordinary Shares was 1,000,000,000 Shares of HK$0.01 each;

b. the Group had total pledged time deposits and bank balances as well as cash and cash equivalents of approximately RM39.6 million (2019: RM7.6 million) and approximately RM47.3 million (2019: RM12.6 million) respectively, most of which were denominated in USD, HKD and RM;

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

d. the Group's total equity attributable to owners of the Company was approximately RM139.6 million (2019: RM67.8 million). The capital of the Company mainly comprises share capital and reserves.

Treasury Policy

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

Dividend

The Board does not recommend the payment of a final dividend for the Financial Year (2019: Nil).

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

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

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

Capital Commitments

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

MANAGEMENT DISCUSSION AND ANALYSIS

Pledge of Assets

Details of pledge of assets of the Group as at 30 June 2020 and 2019 are set out in notes 16, 23(d) and 33(d) to the consolidated financial statements.

Future Plan for Material Investments and Capital Assets

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

Contingent Liabilities

As at 30 June 2020 and 2019, the Group did not have any significant contingent liabilities or outstanding litigation.

Principal Risks and Uncertainties

There are certain risks involved in the Group's business and operations. The Directors believe that some of the major risks may have a material adverse effect on the Group.

The followings are the key risk and uncertainties identified by the Group relating to our business, including but not limited to (i) the Group is exposed to concentration risk of heavy reliance on its largest and top five customers; (ii) as the Group from time to time engages subcontractors in works, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or non-compliance of its subcontractors; (iii) failure to secure new projects through tender process may materially and adversely affect the Group's sustainability and financial performance; (iv) the Group's historical revenue and profit margin may not be indicative of its financial performance in the future; and (v) a significant portion of the Group's revenue was generated from PIPC projects, any decrease or loss of business relationship or failure to secure new projects associated with PIPC may adversely affect the Group's operations and financial performance.

1. *The Group is exposed to concentration risk of heavy reliance on its largest and top five customers*

   A significant portion of the Group's revenue was derived from a small number of customers during the past years. For the years ended 30 June 2019 and 2020, the revenue generated from the Group's top five customers accounted for approximately 92.6% and 92.8% of its total revenue respectively, while the revenue generated from the largest customer accounted for approximately 57.4% and 44.0% of the Group's total revenue for the same year respectively. The Group may continue to have a concentration of customers in the future.

   There is no assurance that the financial position of the Group's major customers will remain healthy in the future and that the Group will be able to receive payments from such customers on time. Any deterioration in the businesses of the Group's major customers could lead to delay and/or default in their payments to the Group. If the Group's major customers fail to make timely payments to the Group, the Group's cash flows and financial position may be materially and adversely affected.

2. *As the Group from time to time engages subcontractors in works, the Group may bear responsibilities for any non-performance, delayed performance, sub-standard performance or noncompliance of its subcontractors*

   As common in the civil and structural works industry, the Group engages subcontractors to undertake some of the project works. Subcontracting may expose the Group to risks associated with non-performance, delayed performance or sub-standard performance by the subcontractors, in the event of subcontracting works to subcontractors. The Group is ultimately responsible to the customers for the works completed by the subcontractors. As a result, the Group may experience deterioration in the quality or delivery of the works, incur additional costs due to managing and supervising subcontractors' performance and remedying the delays, defects or substandard materials, defective equipment, services, or supplies caused by the subcontractors. The Group also has limited control over the availability of its subcontractors' labour force and may not be able to find suitable subcontractor in a timely manner. Such events could impact the profitability, financial performance and reputation, or result in litigation or damage claims of the Group.

   If the subcontractors violate any laws, rules or regulations in relation to health, safety and environmental matters, the Group may expose itself as liable to prosecutions by relevant authorities, and may become liable to claims for losses and damages if such violations cause any personal injuries or death or damage to properties. In the event that there is any violation, whether substantial or minor in nature, of any laws, rules or regulations, occurred at sites for which the Group is responsible, the operations and hence the financial position of the Group may be adversely affected.

3. *Failure to secure new projects through tender process may materially and adversely affect the Group's sustainability and financial performance*

   It is customary in the civil and structural works industry that civil and structural works projects are awarded to contractors on a project-by-project basis through a tender process where the tenders of all bidders will be considered and assessed by the project awarding company.

   In line with the industry practice, the Group's projects are primarily secured through a tender process. The Group's ability to secure new projects from its existing or new customers is uncertain and is largely dependent on, among others, how favourable terms are compared to those offered by other contractors who have also submitted their tenders. Notwithstanding the Group's past relationship and work experience with its existing customers, the final outcome of each tender process is beyond the Group's control. There is also no guarantee that the Group's existing customers will award new projects to the Group.

   The Group cannot assure that it will be able to secure future business from its existing customers, or that the Group will be able to develop business relationships with new customers. The Group is unable to forecast the number of projects it may secure in the future. The Group's revenue may fluctuate from period to period depending on the actual volume of its business. If the Group fails to secure projects in the tender process, the Group's business, results of operations, sustainability and prospects would be materially and adversely affected.

4. *The Group's historical revenue and profit margin may not be indicative of its financial performance in the future*

   The Group's future performance will depend on, among other things, its ability to secure new projects and control its costs and will be subject to the risks set out in this section. Therefore, the Group's historical performance does not have any positive implication or may not necessarily reflect the Group's financial performance in the future. In addition, the Group's profit margin may fluctuate from project to project due to a number of factors, such as quantity of work orders received from customers, the accuracy of the Group's estimate of costs when determining the tender price, the complexity, duration and size of the project, subcontracting charges and the pricing strategy. There is no guarantee that the Group will be able to command a similar level of gross profit margin in the future as some of the factors affecting the Group's profitability such as quantity of work orders received from customers are beyond the Group's control. Nor can the Group assure you that it will be able to secure sufficient projects of favourable size and quantity, maintain its current revenue and profit levels in the future or attain growth rates similar to those achieved by it during the past years.

5. *A significant portion of the Group's revenue was generated from PIPC projects, any decrease or loss of business relationship or failure to secure new projects associated with PIPC may adversely affect the Group's operations and financial performance*

   The Group generated a significant portion of revenue from PIPC projects which are secured from a number of project owners and/or engineering, procurement, commissioning and contracting ("**EPCC**") contractors during the past years.

   The Group does not enter into any long-term service agreement with project owners and/or EPCC contractors of PIPC projects and the Group's services are provided on a project-by-project basis. As such, there is no assurance that the project owners and/or EPCC contractors of PIPC projects will continue to retain the Group upon completion of the existing projects or that they will maintain the current level of business with the Group or engage the Group in the future. If there is a significant decrease in number of projects or size of projects in terms of contract value awarded by project owners and/or EPCC contractors of PIPC projects, and if the Group is unable to obtain sufficient projects with comparable size as replacement, the business, results of operations and financial condition of the Group may be materially and adversely affected.

Foreign Currency Risk

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

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

Employees and Remuneration Policy

As at 30 June 2020, the Group had 422 (2019: 462) employees (including foreign labour) as general labour workforce for the Group's civil and structural works, all of whom were directly hired by the Group. The Group's employees are invaluable assets of the Group and it is dedicated to managing human capital. The Directors believe that continuous staff training and development will not only improve the Group's staff's performance, but will also enhance loyalty and staff morale. For its new recruits, the Group offers induction training courses which cover practical and technical aspects of their works, together with its corporate culture and core value. Remuneration package offered by the Group to its staff includes basic salary, discretionary bonuses and allowance. For the year ended 30 June 2020, the Group's employee costs, including Directors' emoluments, were approximately RM23.2 million (2019: RM18.5 million). The Directors review the performance of the Group's employees on a periodical basis in order to determine salary adjustment and promotions and keep the Group's remuneration package competitive.

Comparison of business objectives and strategies with actual business progress

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

MANAGEMENT DISCUSSION AND ANALYSIS

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 June 2020 (the "**Relevant Period**") is set out below:

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

Use of Proceeds

The net proceeds (the "**Net Proceeds**") received from the share offer (after deducting underwriting fees, brokerage, the Stock Exchange trading fee, the SFC transaction levy and other expenses) by the Group amounted to approximately HK$85.0 million (equivalent to RM45.0 million). As at 30 June 2020, all of the unused proceeds were deposited in the licensed bank in Hong Kong or Malaysia. During the Relevant Period, the Net Proceeds have been applied as follows:

	Planned use of Net Proceeds as stated in the Prospectus during the Relevant Period HK$ million	Approximate % of the Net Proceeds	Actual use of Net Proceeds during the Relevant Period HK$ million	Balance of unutilized proceeds as at 30 June 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	5.8	6.8%	–	5.8	30 June 2022
To acquire machinery	17.8	20.9%	–	17.8	30 June 2022
To finance for the upfront expenditures of new projects	26.7	31.4%	2.1	24.6	30 June 2022
To set aside for working capital purpose	2.4	2.8%	2.4	–	
	61.6	72.4%	4.5	57.1	

The Group has experienced significant disruption to its operations arising from the COVID-19 pandemic and the MCO in the last four months of the Financial Year, included but not limited to, (i) closure of worksites and headquarters; (ii) interruption of operations due to SOP required to be implemented; and (iii) negative impact on the demand for the Group's civil and structural 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 the end of financial year in 2022 in order to enhance flexibility for the future development of the Group.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Tan Hun Tiong ("**Mr. HT Tan**"), aged 64, joined the Group in September 1975. He was appointed as a Director on 8 November 2018 and re-designated as the chairman and an executive Director on 29 January 2019. Mr. HT Tan is also a director of certain subsidiaries of the Group. He is responsible for the overall management of the Group and overseeing and managing the projects of the Group including monitoring the works and progress of site developments as well as the site management and liaison with subcontractors in all site related matters.

Mr. HT Tan has accumulated over 44 years' experience in the civil construction industry since he joined the Group as project superintendent in 1975. He was appointed as a director of TBK in July 1981 and Prestasi Senadi in December 1994 and finally promoted to be the project director of the Group in 1997. Mr. HT Tan is brother of Mr. HP Tan and father of Mr. Tan Yeong Li.

Mr. HT Tan completed his secondary education to form five in Malaysia in 1973. Mr. HT Tan was previously a director/partner of the companies shown in the table below which were struck off, dissolved or expired due to cessation of business:

Name of company	Place of incorporation/ registration	Nature of business	Date of cessation of being a director/ partner	Status date	Status
D'lifestyle Design Sdn Bhd	Malaysia	Dormant	13 November 2018	13 November 2018	Dissolved
Rank Projects Sdn Bhd	Malaysia	Property development	18 August 2010	18 August 2010	Dissolved
Vibrant Returns Sdn Bhd	Malaysia	Trading of sand	14 October 2011	14 October 2011	Dissolved
Jelai Teguh Enterprise	Malaysia	General, electrical, mechanical, laboratory, furniture contractor	12 October 2007	12 October 2007	Expired

Mr. Tan Han Peng ("**Mr. HP Tan**"), aged 55, joined the Group in March 1996. He was appointed as a Director on 8 November 2018 and re-designated as an executive Director and the chief executive officer of the Company on 29 January 2019. Mr. HP Tan is also a member of Remuneration Committee and Nomination Committee and a director of certain subsidiaries of the Group. He is mainly responsible for the overall strategic planning, management, operation and business development of the Group and oversees day-to-day aspects of its operations including finance, contracts and logistics operations and implements strategies that aim to achieve the Group's missions.

Mr. HP Tan has accumulated approximately 24 years' experience in the civil construction industry since he joined the Group as project manager in 1996. He was appointed as a director of TBK in April 1997 and Prestasi Senadi in June 1997 and promoted to be the managing director of the Group in April 1997. Prior to joining the Group, Mr. HP Tan worked as a programmer with Arthur Andersen Sdn. Bhd. from 1989 to 1990. From 1990 to 1992, he worked as a system analyst with Andersen Consulting Sdn. Bhd. Since 1992, he has run a housing development company in Malaysia.

Mr. HP Tan obtained a Bachelor of Science degree from the University of Wisconsin Green Bay, United States of America, in May 1988. Mr. HP Tan is brother of Mr. HT Tan.

DIRECTORS AND SENIOR MANAGEMENT

Mr. HP Tan was previously a director/partner of the companies shown in the table below which were struck off, dissolved or expired due to cessation of business:

Name of company	Place of incorporation/ registration	Nature of business	Date of cessation of being a director/ partner	Status date	Status
Rank Projects Sdn Bhd	Malaysia	Property development	18 August 2010	18 August 2010	Dissolved
Vibrant Returns Sdn Bhd	Malaysia	Trading of sand	14 October 2011	14 October 2011	Dissolved
Wenzhou Jilong Tyre Sdn Bhd	Malaysia	Investment	26 December 2006	26 December 2006	Dissolved
Millennia Technologies Sdn Bhd	Malaysia	Dormant	23 October 2017	23 October 2017	Dissolved
Tanjung Kelana Sdn Bhd	Malaysia	Investment	26 December 2006	26 December 2006	Dissolved
Beauty Focus	Malaysia	Help center	12 June 2018	12 June 2018	Expired

Non-executive Director

Ms. Chooi Pey Nee, aged 52, was appointed as a Director on 24 January 2019 and was re-designated as a non-executive Director on 29 January 2019. Ms. Chooi has over 21 years of professional experience in audit, dealing in securities, operations of fund management companies and compliance.

Ms. Chooi joined Soochow Securities CSSD (Singapore) Pte. Ltd. in July 2017 and currently holds the position of Vice President, Compliance, Risk Management & Admin. Since June 2017, she has been appointed as an independent non-executive director of GT Steel Construction Group Limited, a company listed in GEM of the Stock Exchange (Stock code: 8402).

Ms. Chooi graduated from the University of Malaya, Malaysia with a degree of Bachelor of Accounting in July 1993. Her relevant professional experience are as follows: from 1993 to 2003, Ms. Chooi worked as an auditor at Price Waterhouse and worked in various firms such as Halim Securities Sdn Bhd, Pengkalan Securities Sdn Bhd and AM Securities Sdn Bhd in Malaysia where she gained exposure and experience in brokerage, analysis, portfolio management, equity research and investment analysis, etc.; from August 2011 to March 2015, she worked at ISR Capital Limited (formerly known as Asiasons WFG Financial Ltd.) and her last held the position of head of compliance; from March 2015 to December 2015, she worked as the chief operating officer at Kingsbridge Capital Pte Ltd. (formerly known as Infiniti Asset Management Pte. Ltd.); and from July 2016 to June 2017, she worked at Four Seasons Asia Investment Pte. Ltd. and her last held position was vice president of compliance and internal audit.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tan Chade Phang (Chen Yifan), aged 44, was appointed as an independent non-executive Director on 5 September 2019. Mr. Tan is also the chairman of Remuneration Committee and a member of Audit Committee. Mr. Tan has over 16 years of professional experience in finance and business analysis. He has been the CEO of Voyage Research Pte Ltd (formerly known as SIAS Research Pte Ltd) since January 2009 and is currently the president of Small and Middle Capitalization Company Association in Singapore since November 2015. From August 2005 to December 2006, Mr. Tan was the lead investment analyst at SIAS Research Pte Ltd. From January 2007 to December 2008, he was an investment analyst with Standard Chartered Bank in Singapore. He has also been appointed as an independent director of Starland Holdings Limited, a company listed on the Singapore Exchange, since February 2016; an independent director of Dapai International Holdings Co. Ltd., a company formerly listed on the Singapore Exchange, from March 2016 to July 2018; and the lead independent director of OUE Lippo Healthcare Ltd, a company listed on the Singapore Exchange, since January 2017. From May 2017 to February 2018, Mr. Tan was an independent director of Transcorp Holdings Limited, a company listed on the Singapore Exchange.

Mr. Tan graduated with a Bachelor of Business in Accountancy Degree from RMIT University in 2000 and obtained a Master of Finance from the same university in 2002.

Mr. Tan was previously a director/alternate director of the companies shown in the table below which were struck off due to cessation of business:

Name of company	Place of incorporation/ registration	Nature of business	Date of cessation of being a director/ partner	Status date	Status
An Le Management Pte. Ltd.	Singapore	Management consultancy services	29 April 2008	15 April 2009	Struck off
Bodhi Tree Network Pte. Ltd.	Singapore	Event/concert organisers	4 September 2018	4 September 2018	Struck off
JX Domu Pte. Ltd.	Singapore	Management consultancy services	5 September 2008	5 September 2008	Struck off
Oaktree Associates Pte. Ltd.	Singapore	Management consultancy services	27 October 2006	27 October 2006	Struck off
Palace Management Pte. Ltd	Singapore	Management consultancy services	4 August 2007	4 August 2007	Struck off

Further, prior to his appointment as the lead independent director of OUE Lippo Healthcare Ltd in January 2017, a receiver was appointed over charged shares of certain subsidiaries of that company in 2016, the proceedings in relation to which are ongoing. Mr. Tan is not concerned or related in any way to the appointment of the receiver relating to that company.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Ng Chiou Gee Willy, aged 50, was appointed as an independent non-executive Director on 5 September 2019. Mr. Ng is also the chairman of Nomination Committee and a member of Audit Committee and Remuneration Committee. Mr. Ng has approximately 26 years of professional experience in audit, finance, accounting and taxation. Between January 1994 to September 2005, he has worked in different international accounting firms such as Moore Stephens in Singapore and KPMG in Beijing, China. He re-joined Moore Stephens in Singapore in October 2005 and is currently an audit partner, a position he has held since January 2008.

Mr. Ng completed his education in Singapore and obtained his professional accountancy qualification from the Association of Chartered Certified Accountants (ACCA) in 1997 and was admitted as a member of ACCA in September 1997. Mr. Ng was also admitted as a practicing member of the Institute of Certified Public Accountants of Singapore, now known as the Institute of Singapore Chartered Accountants (ISCA), in October 2007 and was admitted as a Chartered Accountant of Singapore of ISCA in July 2013.

Mr. Chu Hoe Tin, aged 37, was appointed as an independent non-executive Director on 5 September 2019. Mr. Chu is also the chairman of Audit Committee and a member of Nomination Committee. He has over 14 years of professional experience in accounting, audit and taxation. Mr. Chu has been the company secretary of SRE Group Limited, a company listed on the Stock Exchange (stock code: 1207), since July 2019. From September 2006 to July 2013, Mr. Chu worked at an audit firm B.T. Wong & Co where his last position was audit senior. From August 2013 to February 2016, he was a senior accountant at Long Tai Hong (Holding) Limited. From February 2016 to July 2019, he was an accounting manager at China Minsheng DIT Group Limited, a company listed on the Stock Exchange (stock code: 726).

Mr. Chu has been a member of the Hong Kong Institute of Certified Public Accountants and the Hong Kong Institute of Chartered Secretaries since 2013 and 2019 respectively. Mr. Chu graduated with a Bachelor of Arts (Hons) in Accounting from Napier University, United Kingdom in January 2007 and obtained the degree of Master of Corporate Governance by The Open University of Hong Kong in November 2018.

SENIOR MANAGEMENT

Mr. Sim Thean Wah, aged 54, is the chief financial officer of the Group. He joined the Group in May 2018. He is primarily responsible for overseeing and managing financial management and administration of the Group including developing trends and projections for the Group's finances and assisting in the preparation of the Group's budget and liaising with auditors to ensure that appropriate monitoring of the Group's finance is maintained.

Mr. Sim has over 26 years of experience in accounting, financial advisory and financial management. From October 1990 to March 2005, he worked at PricewaterhouseCoopers Advisory Services Sdn. Bhd. and his last position was managing consultant. From November 2008 to May 2009, he worked as director of finance at Asia Neuro & Cardiac Centre. Mr. Sim was appointed as an independent non-executive director of Mangotone Berhad from August 2009 to October 2010 and an independent non-executive director of Cubic Electronics Sdn. Bhd. from September 2009 to June 2010. He had been a director of Dulang Ekuiti Sdn. Bhd. from February 2013 to December 2014. From January 2011 to December 2015, he was also appointed an independent non-executive director and the chairman of the audit committee of Advance Information Marketing Berhad, a company listed on Bursa Malaysia (stock code: 0122) and he was re-designated as an executive director in December 2015 and held that position until November 2017.

Mr. Sim obtained a Bachelor of Commerce degree from the University of Queensland, Australia in December 1988 and is a member of the Malaysian Institute of Accountants since 2001.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Low Yik Son, aged 43, is the head of contract, tender and procurement of the Group. Mr. Low began his career when he joined the Group as a surveyor and site supervisor in 1998 and has since accumulated approximately 21 years of experience in the construction industry. He rose through the ranks and was promoted as assistant project manager in 2004 and later promoted as head of contract, tender and procurement in 2017. Mr. Low currently oversees all aspects of the operations of the contract, tender and procurement division including cost estimation, budget calculation and negotiation of contracts. Mr. Low is responsible for managing the Group's day-to-day purchasing activities in order to lower the costs of doing business and briefing contracts and technical information to employees.

Mr. Low obtained a Certificate in Technology (Architecture) from Tunku Abdul Rahman College in May 1997.

Mr. Tan Yeong Li, aged 36, is the head of logistics and fixed assets of the Group. He joined the Group as site supervisor in 2004 and has since accumulated approximately 15 years of experience in the construction industry. He was promoted as project coordinator in 2008 and was subsequently promoted as head of logistics and fixed assets in October 2018. Mr. Tan currently oversees equipment and logistic arrangements to various projects and coordinates with and provide supports to project teams. Mr. Tan is son of Mr. HT Tan.

Mr. Tan obtained a Bachelor of Business (Information Systems) degree from Swinburne University of Technology, Australia in July 2007.

Mr. Surendran Tanchontuan, aged 36, is project manager of the Group. He joined the Group as safety and site supervisor in 2004 and has since accumulated approximately 15 years of experience in the construction industry. He was promoted as site manager in 2008 and was subsequently promoted as project manager in 2017. Mr. Tanchontuan is responsible for supervising construction workers, monitoring activities on site as well as developing work-around for project delays and other issues. He also trains workers and subcontractors and ensures all projects meet all health and safety codes.

Mr. Tanchontuan obtained a diploma in civil engineering in July 2006 from Port Dickson Polytechnic of Ministry of Higher Education in Malaysia.

COMPANY SECRETARY

Mr. Lam Wing Tai, aged 54, was appointed as the company secretary on 24 January 2019. He was the company secretary of Worldgate Global Logistics Limited, a company listed on the GEM of the Stock Exchange (stock code: 8292), during March 2016 to 21 May 2019 and has been the company secretary of Linocraft Holdings Limited, a company listed on the GEM of the Stock Exchange (stock code: 8383), since April 2017. From 1992 to 2016, he worked in various firms in different industries as accountant, financial controller, director and company secretary and carried on his own business ventures and investments between 2001 and 2011.

Mr. Lam was admitted as a certified practicing accountant of the Certified Practicing Accountants Australia in May 1995 and a certified public accountant of the Hong Kong Institute of Certified Public Accountants in January 1996. He studied accounting at the Australian National University and obtained a bachelor degree in commerce in 1991. He is a non-practising member of the Hong Kong Institute of Certified Public Accountants.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE

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

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

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

BOARD OF DIRECTORS

Responsibilities

The Board is primarily responsible for overseeing and supervising the management of the business affairs and the overall performance of the Group. The Board sets the Group's mission and standards and ensures that the requisite financial and human resources support is in place for the Group to achieve its objectives.

In accordance with the requirements of the Listing Rules, the Company has established an audit committee (the "**Audit Committee**"), a remuneration committee (the "**Remuneration Committee**") and a nomination committee (the "**Nomination Committee**") with specific written terms of reference which are published on the respective websites of the Stock Exchange and the Company.

The Board may from time to time delegate certain functions to senior management of the Group if and when considered appropriate. The management of day-to-day operation of the Group's businesses and implementation of the business plans, strategies and policies adopted by the Board has been delegated to the senior management of the Group. The delegation of authority includes responsibility for:

(a) developing and formulating business plans, budgets, strategies, business and financial objectives of the Company for consideration by the Board, and to the extent approved by the Board, implementing these plans, budgets, strategies and objectives;

(b) operating the Company's businesses within the parameters set by the Board from time to time, and keeping the Board informed of material developments of the Company's businesses;

(c) where proposed transactions, commitments or arrangements exceed the parameters set by the Board, referring the matter to the relevant Board Committee or the Board for its consideration and approval;

(d) identifying and managing operation and other risks, and where those risks could have a material impact on the Company's businesses, formulating strategies for managing these risks for consideration by the Board;

(e) ensuring that the Board is provided with sufficient information and explanation on a timely basis in regard to the Company's businesses, and in particular with respect to the Company's performance, financial condition, operating results and prospects, to position the Board to fulfill its governance responsibilities and to enable it to make an informed assessment for matters including financial information put before the Board for approval;

(f) providing the Board with monthly updates giving a balanced and understandable assessment of the Company's performance under Listing Rules;

(g) implementing the policies, processes, CG code and, Model Code approved by the Board; and

(h) implementing policies, processes and procedures for the management and development of the Company's employees.

The Directors have full access to information of the Group and are entitled to seek independent professional advice in appropriate circumstances at the Company's expense.

BOARD DIVERSITY POLICY

The Group has adopted a board diversity policy on 5 September 2019 (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain an appropriate balance of diversity perspectives of the Board that are relevant to the Group's business growth. Pursuant to the Board Diversity Policy, selection of candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board's composition (including gender, age, professional qualifications, industry experience etc.) will be disclosed in the Corporate Governance Report annually.

The Nomination Committee is responsible for ensuring the diversity of the Board and reviewing the board diversity policy from time to time to ensure its continued effectiveness and the Group will disclose the implementation of the board diversity policy in the corporate governance report on an annual basis.

Nomination Policy

The Group has also adopted a nomination policy on 5 September 2019 (the "**Nomination Policy**") which provides for the nomination procedures and the process and criteria adopted by the Nomination Committee in the selection and recommendation of candidates for directorship. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee shall ensure the Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business.

The selection criteria listed below would be used as reference by the Nomination Committee in assessing the suitability of a proposed candidate, including but not limited to, character and integrity; qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy; accomplishment and experience in the business from time to time conducted, engaged in or invested in by any member of the Group; commitment in respect of available time and relevant interest; requirement for the Board to have independent directors in accordance with the Listing Rules and whether the candidates would be considered independent with reference to the independence guidelines set out in the Listing Rules; Board diversity policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board; and such other perspectives appropriate to the Company's business. These factors are for reference only, and not meant to be exhaustive and decisive. The Nomination Committee has the discretion to nominate any person, as it considers appropriate.

Nomination Procedures

For filling a casual vacancy, the Nomination Committee shall make recommendations for the Board's consideration and approval. For proposing candidates to stand for election at a general meeting, the Nomination Committee shall make nominations to the Board for its consideration and recommendation. The Board shall have the ultimate responsibility for selection and appointment of Directors.

The Nomination Committee shall, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the selection criteria to determine whether such candidate is qualified for directorship.

If the process yields one or more desirable candidates, the Nomination Committee shall rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).

For any person that is nominated by a shareholder for election as a director at the general meeting of the Company pursuant to its constitutional documents, the Nomination Committee shall evaluate such candidate based on the selection criteria to determine whether such candidate is qualified for directorship and where appropriate, the Nomination Committee and/or the Board shall make recommendation to Shareholders in respect of the proposed election of director at the general meeting.

The Nomination Committee shall review the overall contribution and service to the Company of the retiring director including his/her attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board and shall also review and determine whether the retiring director continues to meet the selection criteria.

The Nomination Committee shall review the overall contribution and service to the Company of the retiring director including his/her attendance of Board meetings and, where applicable, general meetings, and the level of participation and performance on the Board.

Composition

The Company is committed to the view that the Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors (the "**INED(s)**")) so that there is an independent element on the Board, which can effectively exercise independent judgement, and that non-executive Directors should be of sufficient caliber and number for their views to carry weight.

CORPORATE GOVERNANCE REPORT

As at the date of this report, the Board comprises the following six Directors:

Executive Directors
Mr. Tan Hun Tiong *(Chairman)*
Mr. Tan Han Peng *(Chief executive officer)*

Non-executive Director
Ms. Chooi Pey Nee

Independent Non-executive Directors
Mr. Tan Chade Phang
Mr. Ng Chiou Gee Willy
Mr. Chu Hoe Tin

The biographical details of each of the Directors are set out in the section headed "Directors and Senior Management" of this report.

Save as disclosed, there was no financial, business, family or other material/relevant relationship among the Directors.

The INEDs have brought in a wide range of business and financial expertise, experiences and independent judgement to the Board. Through active participation in the Board meetings and serving on various Board committees, all INEDs will continue to make various contributions to the Company.

The Company has appointed three INEDs, representing half of the Board members, which has exceeded the requirements of the Listing Rules that the number of INEDs must represent at least one-third of the Board members, and has met the requirement that at least one of the INEDs has appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written confirmation from each of the INEDs in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all INEDs are independent.

Proper insurance coverage in respect of legal action against the Directors' liability has been arranged by the Company.

CONTINUING PROFESSIONAL DEVELOPMENT

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant. Every newly appointed Director has received formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills.

All Directors confirmed that they have complied with the Code provision A.6.5 on directors' training. During the Financial Year, all Directors namely, Mr. Tan Hun Tiong, Mr. Tan Han Peng, Ms. Chooi Pey Nee, Mr. Tan Chade Phang, Mr. Ng Chiou Gee Willy and Mr. Chu Hoe Tin have participated in continuous professional development by attending seminars, courses or conferences or read related materials to develop and refresh their knowledge and skills.

MEETINGS OF BOARD AND DIRECTORS' ATTENDANCE RECORDS

The Board shall meet regularly at least 4 times a year with notice given to the Directors at least 14 days in advance. For all other Board meetings, notice is given in a reasonable time in advance. The Directors are allowed to include any other matters in the agenda that is required for discussion and resolution at the meeting. To enable the Directors to be properly briefed on issues arising at the Board meetings and to make informed decisions, an agenda and the accompanying Board papers together with all appropriate and relevant information in relation to the matters of the meetings are sent to all Directors at least 3 business days before the intended date of each regular Board Meeting and 3 business days or such other period as agreed before each other Board meeting. All Directors should have access to the advice and services of the company secretary of the Company (the "**Company Secretary**") with a view to ensuring that Board procedures and all applicable rules and regulations are followed. The Company Secretary is responsible for keeping all Board meetings' minutes. Draft and final versions of the minutes will be circulated to the Directors for their comments and records within a reasonable time after each meeting and the final version is open for the Directors' inspection. According to the Listing Rules, any Directors and their close associates (as defined in the Listing Rules) with a material interest in the transactions to be discussed at the Board meetings will abstain from voting on resolutions approving such transactions and are not counted in the quorum of the meetings.

During the Financial Year, the Board held 4 meetings and passed 4 written resolutions, at which the Directors discussed and approved, amongst other matter, (i) the Group's audited financial statements, the director's report and the independent auditor's report for the year ended 30 June 2019, the interim results for the six months ended 31 December 2019 and the environmental, social and governance report 2019; (ii) the change of director fee; (iii) the change of address of principal place of business in Hong Kong; (iv) poll results of the annual general meeting; and (v) the overall strategic direction and objectives of the business and other significant matter of the Group.

The attendance of each Director at the Board meeting during the Financial Year is as follows:

Name of Directors	Number of attendance/ Number of Board meetings
Executive Directors	
Mr. Tan Hun Tiong *(Chairman)*	4/4
Mr. Tan Han Peng *(Chief executive officer)*	4/4
Non-executive Director	
Ms. Chooi Pey Nee	4/4
Independent Non-executive Directors	
Mr. Tan Chade Phang	4/4
Mr. Ng Chiou Gee Willy	4/4
Mr. Chu Hoe Tin	4/4

Apart from the Board meetings, the Chairman held a meeting with the INEDs with the presence of the Executive Directors during the Financial Year.

During the Financial Year, an annual general meeting of the Company was held on 13 December 2019 (the "**2019 AGM**"). The attendance of each Director at the 2019 AGM is as follows:

Name of Directors	Number of attendance/ number of meetings
Executive Directors	
Mr. Tan Hun Tiong *(Chairman)*	1/1
Mr. Tan Han Peng *(Chief executive officer)*	1/1
Non-executive Director	
Ms. Chooi Pey Nee	1/1
Independent Non-executive Directors	
Mr. Tan Chade Phang	1/1
Mr. Ng Chiou Gee Willy	1/1
Mr. Chu Hoe Tin	1/1

CHAIRMAN AND CHIEF EXECUTIVE

According to the Code Provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and performed by different individuals to ensure a balance of power and authority so that power is not concentrated in any one individual. Mr. Tan Hun Tiong, the executive Director, is the Chairman and is responsible for the leadership of the Board while Mr. Tan Han Peng, the executive Director, is the chief executive officer (the "**CEO**") and is responsible for managing the Group's business and overall operations.

NON-EXECUTIVE DIRECTORS

Each of the non-executive Director and INED has entered into a letter of appointment with the Company on 5 September 2019. Each letter of appointment is for an initial term of one year commencing from the Listing Date and shall continue thereafter unless terminated by either party giving at least one month's notice in writing. All Directors are subject to retirement by rotation and re-election at annual general meeting in accordance with the Company's articles of association (the "**Articles**").

BOARD COMMITTEES

The Board has established three Board committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties. The written terms of reference for Board Committees are posted on the respective websites of the Stock Exchange and the Company.

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 INEDs, namely Mr. Chu Hoe Tin, Mr. Ng Chiou Gee Willy and Mr. Tan Chade Phang. The chairman of the Audit Committee is Mr. Chu Hoe Tin.

The role of the Audit Committee includes reviewing and monitoring the Group's external auditor's independence and objectivity and the effectiveness of the audit process, monitoring the integrity of the Group's financial information and reviewing significant financial reporting judgement and overseeing the Group's financial reporting system and risk management and internal control systems.

During the Financial Year, the Audit Committee held 2 meetings, at which the Audit Committee has reviewed and discussed (i) the Group's consolidated results for the year ended 30 June 2019 and the interim results for the six months ended 31 December 2019; (ii) the effectiveness of the Group's internal control and risk management systems and the Group's internal audit function and recommended to the Board for consideration of the same; and (iii) the re-appointment of BDO Limited as the Company's external independent auditor.

The attendance of each member at the Audit Committee meeting during the Financial Year is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Chu Hoe Tin	2/2
Mr. Ng Chiou Gee Willy	2/2
Mr. Tan Chade Phang	2/2

Remuneration Committee

The Remuneration Committee was established on 5 September 2019 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG code. The Remuneration Committee comprises three Directors, namely Mr. Tan Chade Phang, Mr. Ng Chiou Gee Willy and Mr. Tan Han Peng. The chairman of the Remuneration Committee is Mr. Tan Chade Phang.

The role of the Remuneration Committee includes making recommendations to the Board on the Group's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing the Group's remuneration policy, reviewing and approving management's remuneration proposals, determining or making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, making recommendations to the Board on the remuneration of Directors, reviewing and approving compensation payable to executive Directors and senior management for loss of office, reviewing and approving compensation arrangements relating to the dismissal or removal of Directors and ensuring that no Director or his/her associate is involved in deciding his/her own remuneration.

During the Financial Year, the Remuneration Committee held 1 meeting, at which the Remuneration Committee has reviewed and discussed the remuneration package of all Directors and making recommendation to the Board.

The attendance of each member at the Remuneration Committee meeting during the Financial Year is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Tan Chade Phang	1/1
Mr. Ng Chiou Gee Willy	1/1
Mr. Tan Han Peng	1/1

Nomination Committee

The Nomination Committee was established on 5 September 2019 with written terms of reference in compliance with paragraph A.5 of the CG code to the Listing Rules. The Nomination Committee comprises three Directors, namely Mr. Ng Chiou Gee Willy, Mr. Chu Hoe Tin and Mr. Tan Han Peng. The chairman of the Nomination Committee is Mr. Ng Chiou Gee Willy.

The role of the Nomination Committee includes conducting an annual review of the structure, size and composition of the Board and making recommendations on any proposed changes to the Board, identifying suitably qualified individuals to become Board members and making recommendations to the Board on the selection of individuals nominated for Board membership, assessing the independence of the independent non-executive Directors and making recommendations to the Board on the appointment and re-appointment of Directors and succession planning for Directors.

During the Financial Year, the Nomination Committee held 1 meeting, at which the Nomination Committee (i) assessed the independence of the INEDs, and (ii) recommended to the Board for consideration the re-appointment of all the retiring Directors at the forthcoming AGM.

The attendance of each member at the Nomination Committee meeting during the Financial Year is as follows:

Name of Directors	Number of attendance/ number of meetings
Mr. Ng Chiou Gee Willy	1/1
Mr. Chu Hoe Tin	1/1
Mr. Tan Han Peng	1/1

AUDITORS' REMUNERATION

For the Financial Year, BDO Limited and other member firm of BDO (together "**BDO**") was engaged as the Group's independent auditors. The remuneration paid/payable to BDO for the Financial Year is set out below:

Category of services	Amount (RM'000)
Audit services — Annual audit	443
Non-audit services — Interim review	65
Non-audit services — Listing	472

ACCOUNTABILITY AND AUDIT

The Board is committed to provide a balanced, clear and comprehensive assessment of the Group's performance, position and prospects in annual and interim reports, and other financial disclosures required by the Listing Rules. The Directors acknowledge their responsibility for the preparation of the consolidated financial statements of the Group which give a true and fair view of the state of affairs of the Company and the Group's results and cash flows for the Financial Year and are properly prepared on a going concern basis in accordance with the applicable statutory requirements and accounting standards.

The Management will provide the Board with monthly updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

The Directors were not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

In addition, BDO Limited has stated in the independent auditor's report its reporting responsibilities on the Company's consolidated financial statements for the Financial Year.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors confirmed that during the ordinary course of the Group's business, the Group is exposed to various types of risks, including (i) control risks relating to the overall monitoring system; (ii) regulatory risks in relation to the Group's business; and (iii) operational risks.

The Group has designed and implemented risk management policies to address these potential risks identified in relation to the Group's business. The Group's risk management system sets out procedures to identify, analyse, assess, mitigate and monitor any potential risks. The executive Directors are responsible for overseeing the overall risk management system and each department carries out their own risk management identification exercise and proposes risk response plan according to the overall risk assessment program. Each department of the Group is required to set up appropriate risk management strategies based on the risk identified and their proposed risk response plan and is responsible for the implementation and supervision. For material deficiency or risks identified, the relevant department should report the situation to the Board for further investigation, internal control review and enhancement and supervision.

The Group has adopted the following corporate governance and internal control measures to monitor the ongoing implementation of its risk management policies and corporate governance measures after Listing. The Directors believe that the Group's internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness. The Group will refine and enhance its internal control systems to respond to any new requirements of its operations as appropriate. To strengthen the Group's internal control and ensure future compliance with the applicable laws and regulations (including the Listing Rules), it has adopted the following additional internal control measures:

(i) the Group has established an Audit Committee and established formal arrangements to apply financial reporting and internal control principles in accounting and financial matters to ensure compliance with the Listing Rules and all relevant laws and regulations;

(ii) the Group's internal control measures, policies and procedures which were codified, adopted and implemented by it, have been updated and revised;

(iii) subject to recommendation from the Group's Audit Committee, it will appoint an external internal control adviser to perform periodic review of its internal control system to evaluate the effectiveness and formulate plans and recommendations for improvement of its internal control measures and policies;

(iv) the Group appointed its executive Director, Mr. HP Tan, as compliance officer. He is responsible for, among other things, the oversight of compliance of applicable laws and regulations;

(v) the Group has appointed Red Sun Capital Limited as its compliance adviser to provide advice to its Directors and management team in respect of matters relating to the Listing Rules; and

(vi) each of the Directors has received and reviewed a training memorandum prepared by the Group's Hong Kong legal advisers and attended a training session conducted by its Hong Kong legal advisers in relation to responsibilities and duties of directors of a listed company in Hong Kong before Listing.

During the Financial Year, the Group engaged an independent internal control consultant to review the Group's financial procedures, system and internal control systems. Based on review and procedures conducted, the Board considers that the Group's risk management and internal control systems are effective and adequate. However, the risk management and internal control systems of the Group are designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss.

HANDLING AND DISSEMINATION OF INSIDE INFORMATION

The Company has established and maintained the procedures and internal controls for the handling and dissemination inside information. 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. Other employees of the Group who are likely to be in possession of inside information of the Company are also subject to dealing restrictions. The Group has strictly prohibited unauthorized use of confidential or insider information or any use of such information for the advantage of himself or others. Any inside information and any information which may potentially constitute inside information is promptly identified, assessed and escalated to the Board and for the Board to decide on the need for disclosure. Inside information and other information which is required to be disclosed pursuant to the Listing Rules will be announced on the respective websites of the Stock Exchange and the Company in due course.

COMPANY SECRETARY

Mr. Lam Wing Tai ("**Mr. Lam**") was appointed as the Company Secretary on 24 January 2019, whose biographical details are set out in the section headed "Directors and Senior Management" in this annual report. Mr. Lam has confirmed that he had attained no less than 15 hours of relevant professional training as required by Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Procedures for Shareholders to require an extraordinary general meeting (the "EGM") (including making proposals/moving a resolution at the EGM) to be called by the Board

In accordance with Article 58 of the Articles, any one or more Shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such EGM the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The requisition must state clearly the name of the requisitionist(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda of the EGM including the details of the business(es) proposed to be transacted at the EGM, signed by the requisitionist(s) concerned.

As regards proposing a person for election as a Director, please refer to the "Procedure for Shareholders to propose a person for election as a director" of the Company which is posted on the Company's website.

Procedures for Shareholders to send enquires to the Board

Shareholders may send their enquiries and concerns to the Board by addressing them to the principal place of business of the Company in Hong Kong.

COMMUNICATION WITH THE SHAREHOLDERS

The Company is committed to providing Shareholders and other stakeholders (including potential investors) with balanced and understandable information about the Company.

Information will be communicated to the Shareholders through convening the annual general meeting or general meeting, publication of (a) directors' report and annual accounts together with a copy of the auditor's report and where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) and the Company's website in a timely and consistent manner as required by the Listing Rules.

CONSTITUTIONAL DOCUMENTS

There was no change to the Company's constitutional documents during the Relevant Period. The amended and restated Articles is available on the websites of the Stock Exchange and the Company.

DIVIDEND POLICY

The Group has adopted a general annual dividend policy of declaring and paying dividends on an annual basis of approximately 10% of the Company's distributable profit for any particular financial year.

Declaration of dividends is subject to the discretion of the Directors, depending on the Group's results of operations, working capital, cash position, future operations, and capital requirements, as well as any other factors which the Directors may consider relevant. As the payment of dividends are at the discretion of the Directors, there is no assurance that any particular dividend amount or any dividend at all, will be distributed. Such discretion is subject to the applicable laws and regulations including the Companies Law and the Articles which also require the approval of the Shareholders. Historical dividend payments are not indicative of the Company's payment of any future dividends.

REPORT OF THE DIRECTORS

The Board are pleased to present their report together with the audited consolidated financial statements of the Group for the Financial Year.

CORPORATE REORGANISATION AND LISTING

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 8 November 2018. In preparation for the Listing, the Group has undergone the reorganisation (the "**Reorganisation**"), details of which are set out in the section headed "History, Development and Reorganisation" of the Prospectus. Following the share offer (the "**Share Offer**") which comprised the public offer of 25,000,000 new Shares initially offered by the Company and the placing of 225,000,000 new Shares initially offered by the Company at HK$0.5 per share. The gross proceeds from the Share Offer were HK$125 million. The Shares were listed on the Stock Exchange on 30 September 2019.

PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Group is a civil and structural works contractor for customers in the oil and gas industry in Malaysia. The principal activities of the Company's principal subsidiaries are set forth in note 30 to the consolidated financial statements.

BUSINESS REVIEW AND ANALYSIS OF KEY FINANCIAL PERFORMANCE INDICATORS

The business review and analysis of key financial performance indicators of the Group for the Financial Year are set out in the "Management Discussion and Analysis" of this annual report.

FINANCIAL RESULTS AND FINANCIAL POSITION

The results of the Group for the Financial Year and the financial position of the Group and the Company as at 30 June 2020 are set forth in the consolidated financial statements on pages 53 to 55 and 114 of this annual report.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Financial Year (2019: Nil).

On 24 December 2018, TBK, an indirect wholly-owned subsidiary of the Company, declared an interim dividend of RM5,600,000 to the Controlling Shareholders which was settled on 19 July 2019 in the form of a distribution-in-specie of two parcels of freehold land owned by the Group.

SUMMARY FINANCIAL INFORMATION

A summary of the published results and assets and liabilities of the Group for the last five years, as extracted from the audited consolidated financial statements of the Company or the Prospectus, is set out on page 130 of this annual report. This summary does not form part of the consolidated financial statements for the Financial Year.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in plant and equipment of the Group during the Financial Year are set out in note 16 to the consolidated financial statements.

PROPERTIES

The Group did not hold any major property for development and/or sale or for investment purpose as at 30 June 2020.

REPORT OF THE DIRECTORS

SHARE CAPITAL

Details of the Company's share capital are set out in note 27 to the consolidated financial statements.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Articles or the laws of the Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to existing Shareholders.

RESERVES

Details of movements in the reserves of the Company and of the Group during the Financial Year are set out in note 28 to the consolidated financial statements and in the consolidated statement of changes in equity, respectively.

DISTRIBUTABLE RESERVES

At 30 June 2020, the Group's reserves available for distribution to the Shareholders (comprising share premium, merger reserve and accumulated retained earnings) amounted to approximately RM131.8 million.

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.

Subject to the provisions in the Share Option Scheme, the Directors may grant options at any time and from time to time within a period of 10 years commencing from the date of adoption of the Share Option Scheme at their absolute discretion and subject to such terms, conditions, restrictions or limitations as they may think fit offer, at the consideration of HK$1.00 to grant option to the Eligible Persons. The maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Company shall not, in aggregate, exceed 30% of the total number of Shares in issue from time to time.

The total number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option schemes of the Company shall not in aggregate exceed 100,000,000 Shares, being 10% of the total number of Shares (assuming no options are granted under the Share Option Scheme) in issue on the Listing Date (the "**Scheme Limit**") unless approved by its Shareholders pursuant to the paragraph below. Options lapsed in accordance with the terms of the Share Option Scheme or any other share option schemes of the Company shall not be counted for the purpose of calculating the Scheme Limit.

The Company may seek separate approval of the Shareholders in general meeting for refreshing the Scheme Limit provided that such limit as refreshed shall not exceed 10% of the total number of Shares (assuming no options are granted under the Share Option Scheme) in issue as at the date of the approval of the Shareholders on the refreshment of the Scheme Limit. Options previously granted under the Share Option Scheme or any other share option schemes of the Company (including options outstanding, cancelled, lapsed in accordance with the terms of the Share Option Scheme or any other share option scheme of the Company or exercised) will not be counted for the purpose of calculating the limit as refreshed.

During the Financial Year, no share options had been granted, exercised, cancelled or lapsed under the Share Option Scheme since the adoption of the Share Option Scheme. As at 30 June 2020, the total number of Shares available for issue under the Share Option Scheme was 100,000,000, representing 10% of the entire issued share capital of the Company.

EQUITY-LINKED AGREEMENTS

Save as disclosed in this annual report relating to the Share Option Scheme, the Company did not have equity-linked agreements that (i) will or may result in the Company issuing Shares or (ii) require the Company to enter into any agreements that will or may result in the Company issuing Shares during the Financial Year or subsisted at the end of the Financial Year.

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

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

MAJOR CUSTOMERS AND SUPPLIERS

During the Financial Year, the five largest suppliers of the Group accounted for about 50.4% of the Group's cost of sales and the largest supplier accounted for about 22.1% of the cost of sales.

During the Financial Year, the five largest customers of the Group accounted for about 92.8% of the Group's total revenue and the largest customer accounted for about 44.0% of the total revenue.

Based on the information publicly available to the Company and to the best knowledge of the Directors, none of the Directors, their respective close associates (as defined in the Listing Rules) or any Shareholders (which to the best knowledge of the Directors, own more than 5% of the Shares) had any beneficial interest in any of the Group's five largest customers or suppliers referred to above.

RELATED PARTIES TRANSACTIONS

The Shares have been listed on the Main Board of the Stock Exchange on 30 September 2019. During the Financial Year, there were no connected transactions or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent Shareholders' approval requirements under the Listing Rules.

Related parties transactions of the Group during the Financial Year are disclosed in note 31 to the consolidated financial statements.

REPORT OF THE DIRECTORS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is aware of and is committed to its corporate responsibility to the society. In order to meet the Group's customers' requirement on different health, safety and environmental aspects, an effective control on quality assurance measures is maintained during daily operations. A group of project management team, which includes a project manager, construction manager and quality manager, is comprised to monitor the quality of each construction project. In addition, a full implementation on health, safety and environmental management system has facilitated the Group to prevent potential industrial accidents and ensure a safe workplace is provided for workers. The Group ensures that environmental compliance and protection measures are properly implemented for its projects.

Besides its own corporate responsibility, the Group is required to comply with the laws and regulations in relation to environmental protection in Malaysia, including the Environmental Quality Act 1974. Given the Group's substantial experience in the industry and its established operation workflow which includes preliminary site visits by its staff to determine possible environmental compliance issues, the Group has been able to address such environmental compliance issues. The Environmental, Social and Governance Report for the Financial Year containing all information required by the Listing Rules will be published on the respective websites of the Stock Exchange and the Company in due course.

To the best knowledge of the Directors, the Group was in compliance with applicable environmental laws and regulations in all material respects.

PERMITTED INDEMNITY PROVISIONS

The Articles provides that the Directors, Secretary and other officers and every Auditor for the time being of the Company shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty.

COMPLIANCE WITH LAWS AND REGULATIONS

The Group and its activities are subject to requirements under various laws in Malaysia, Cayman Islands and Hong Kong and all applicable regulations, guidelines, policies and licence terms issued or promulgated under or in connection with these statutes. In addition, the Listing Rules also apply to the Company. The Company seeks to ensure compliance with these requirements through various measures such as internal controls and approval procedures, training and oversight of various business units with the designated resources at different levels of the Group.

The Group has compliance and risk management policies and procedures, and members of the senior management are delegated with the continuing responsibility to monitor adherence and compliance with all significant legal and regulatory requirements. As at the date of this report, the Group is not aware of any material non-compliance with the relevant laws and regulations that have significant impact on the business of the Group.

REPORT OF THE DIRECTORS

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group is committed to operating in a sustainable manner while balancing the interests of its various stakeholders including employees, suppliers and subcontractors.

The Group's employees are invaluable assets of the Group and it is dedicated to managing human capital. Remuneration package the Group's offer to its staff includes basic salary, discretionary bonuses and allowance. 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. The Group also provides ongoing training programmes for its employees and provide subsidies to staff for recognised courses. The Group's workers are also provided with training on workplace safety and in other job related areas to facilitate them to maintain their qualifications on site. The Directors believe that these measures will also serve as a means to retain quality staff.

The Group has been operating in Malaysia since the 1970s. The Directors believe that, as a result of the Group's high quality, technical proficiency, effective management programme, diversified experience and capabilities as well as its market reputation, the Group has successfully established strong and long-term business relationship with key customers and business partners as well as subcontractors and suppliers. In particular, the Group has established strong and long-term business relationships with a number of key customers who are reputable international conglomerates in the oil and gas industry. The Group has maintained strong and long-term business relationships with some of its customers for as long as 22 years. As a result, the Directors believe that the Group has become their preferred civil and structural works contractor. The Directors also believe that the Group's strong and long-term relationships with these key customers provide it with a competitive advantage to secure future contracts, a steady flow of repeat business and revenue, and serve as a testament for it in marketing and business development with new customers.

The Group has also established close and long-term working relationships with subcontractors and suppliers in different areas of specialty, including a world renowned French-based concrete supplier and a manufacturer of roller shutter. The Directors believe that the Group's established relationships with them have greatly enhanced and will continue to enhance the Group's overall service to its customers.

In view of the above and as at the date of this report, there is no circumstance of any event which will have a significant impact on the Group's business and on which the Group's success depends.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the Financial Year and up to the date of this report were:

Executive Directors

Mr. Tan Hun Tiong *(Chairman)*

Mr. Tan Han Peng *(Chief executive officer)*

Non-executive Director

Ms. Chooi Pey Nee

Independent Non-executive Directors

Mr. Tan Chade Phang

Mr. Ng Chiou Gee Willy

Mr. Chu Hoe Tin

Article 83 (3) of the Articles provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following AGM and shall then be eligible for re-election.

Article 84 of the Articles provides that (1) one-third of the Directors for the time being (or, if their number is a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation at each AGM, provided that every Director shall be subject to retirement by rotation at least once every three years. (2) A retiring Director shall be eligible for re-election and shall continue to act as a Director throughout the meeting at which he retires. The Directors to retire by rotation shall include (so far as necessary to ascertain the number of Directors to retire by rotation) any Director who wishes to retire and not to offer himself for re-election.

Mr. Tan Hun Tiong and Mr. Tan Han Peng will retire at the forthcoming AGM and both of them, being eligible, will offer themselves for re-election at the forthcoming AGM.

BIOGRAPHIES OF DIRECTORS

The biographical details of the Directors are set out under the section headed "Directors and Senior Management" of this annual report.

REPORT OF THE DIRECTORS

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with the Company since 5 September 2019. The terms and conditions of each of such service contracts are similar in all material aspects. Each service contract is for an initial term of three years with effect from the Listing Date and shall continue thereafter unless and until it is terminated by the Company or the executive Director giving to the other not less than three months' prior notice in writing.

Each of the non-executive Director and independent non-executive Directors has entered into a letter of appointment with the Company on 5 September 2019. Each letter of appointment is for an initial term of one year commencing from the Listing Date and shall continue thereafter unless terminated by either party giving at least one month's notice in writing.

None of the Directors proposed for re-election at the forthcoming AGM has a service contract/letter of appointment with the Company, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

DIRECTORS' REMUNERATION

Details of the remuneration of Directors are set out in note 11 to the consolidated financial statements.

DIRECTORS' EMOLUMENT POLICY

The Remuneration Committee was established for reviewing and determining the remuneration and compensation packages of the Directors and senior management with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

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

As at 30 June 2020, the interests or short positions of the Directors and the chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or which were required, pursuant to the Mode Code, to be notified to the Company and the Stock Exchange were as follows:

(i) Interests in the Company

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

Notes:

1. The letter "L" denotes the person's long position in the Shares.

2. All the issued shares of TBK & Sons International Limited ("**TBKS International**") are legally and beneficially owned as to 70% and 30% by Mr. HT Tan and Mr. HP Tan respectively. Accordingly, Mr. HT Tan and Mr. HP Tan are deemed to be interested in the 600,000,000 Shares held by TBKS International under the SFO. Mr. HT Tan and Mr. HP Tan are a group of Controlling shareholders.

(ii) Interests in associated corporation of the Company

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

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in the Model Code.

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

As at 30 June 2020, so far as was known to the Directors, the following persons/entities (other than the Directors or chief executives of the Company) had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

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

Notes:

1. The letter "L" denotes long position in the Shares.

2. Ms. Tan Siew Hong is the spouse of Mr. HT Tan. By virtue of the SFO, Ms. Tan Siew Hong is deemed to be interested in all the Shares in which Mr. HT Tan is interested or deemed to be interested under the SFO.

3. The entire share capital of the Victory Lead Ventures Limited is beneficially owned by Fuji Investment SPC for the account of Project B Segregated Portfolio, a segregated portfolio designated by Fuji Investment SPC whose investment objective and strategy is to generate interest income and long term capital appreciation through investing primarily in a diversified portfolio of companies in Asia with a proposed listing on the Stock Exchange.

Save as disclosed above, as at 30 June 2020, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in the Prospectus, at no time during the Relevant Period was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

COMPETING INTERESTS

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

REPORT OF THE DIRECTORS

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, the Company has maintained the prescribed minimum public float for its shares as required under the Listing Rules since the Listing Date up to the date of this annual report.

DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as disclosed in this annual report and the Prospectus, no transactions, arrangements or contracts of significance in relation to the Group's business in which the Company or any its subsidiaries was a party and in which a Director had a material interest, whether directly or indirectly, subsisted during the Relevant Period.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in note 38 to the consolidated financial statements, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2020 and up to the date of this report.

INDEPENDENT AUDITOR

The consolidated financial statements for the Financial Year were audited by BDO Limited, the independent auditor, who shall retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. A resolution will be proposed at the forthcoming AGM to re-appoint BDO Limited as auditor and to authorise the Directors to fix its remuneration.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to Shareholders by reason of their holding of the Company's securities.

CHARITABLE DONATIONS

During the Financial Year, the Group made charitable donations of approximately RM240,000.

On behalf of the Board

Mr. Tan Hun Tiong
Chairman

Hong Kong, 24 September 2020

INDEPENDENT AUDITOR'S REPORT

BDO

Tel : +852 2218 8288
Fax: +852 2815 2239
www.bdo.com.hk

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

電話：+852 2218 8288
傳真：+852 2815 2239
www.bdo.com.hk

香港干諾道中111號
永安中心25樓

TO THE SHAREHOLDERS OF TBK & SONS HOLDINGS LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of TBK & Sons Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") set out on pages 53 to 129, which comprise the consolidated statement of financial position as at 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the HKICPA's "Code of Ethics for Professional Accountants" (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTERS *(Continued)*

Accounting for civil and structural works contracts

For the year ended 30 June 2020, the Group's revenue and costs recognised for civil and structural works amounted to approximately RM151 million and RM117 million, respectively.

The Group's revenue from civil and structural works is recognised over time using the output method, based on direct measurements of the value transferred by the Group to the customer as estimated by the management. Management periodically measures the value of the civil and structural works completed for each project with reference to the certified value of works and estimates the value of works completed but yet to be certified at the end of the reporting period. The Group's contract costs are recognised when work is performed, together with any provisions for onerous contract.

The Group's revenue and costs for civil and structural works are quantitatively significant to the Group's consolidated financial statements as a whole and the recognition of contract revenue and profit relies on management's estimate of the final outcome of each contract, which involves the exercise of significant management judgement, particularly in forecasting the costs to complete a contract, in valuing contract variations, claims and potential liquidation damages and in estimating the provision for onerous contract.

Refer to Note 4(g) for the accounting policies, Note 5(i) for the critical accounting judgements and significant estimates and Notes 6 and 7 for disclosures for the Group's revenue and costs for civil and structural works.

Our response:

Our audit procedures in relation to the recognition of revenue and costs for civil and structural works included the following:

- understanding and evaluating the Group's processes and controls over contract revenue and contract costs recognition and budget estimation;
- testing on a sample basis whether management had made appropriate judgement in identifying the contract and performance obligations and determining the transaction price considering the variable considerations;
- testing the calculation of revenue and profits recognised for the current year from civil and structural works contracts;
- agreeing the progress towards complete satisfaction of the performance obligations to the customers' latest certificates;
- testing the supporting documents of the estimated revenue and budgets on a sample basis, which included historical outcomes of similar contracts, sub-contracting contracts, material purchase contracts/invoices and price quotations, etc.; and
- assessing management's estimates on the value of uncertified works by inspecting the relevant documents on a sample basis which included certificates and other supporting documents that indicate the value of civil and structural works completed up to date.

KEY AUDIT MATTERS *(Continued)*

Impairment assessment of trade receivables and contract assets

As at 30 June 2020, the Group's trade receivables and contract assets amounted to approximately RM15 million and RM50 million, respectively, which in aggregate represented about 41% of the current assets of the Group.

Significant management judgement is required to assess the recoverability of trade receivables and contract assets. Management performed a detailed analysis which broadly based on the available customers' historical data, existing market conditions including forward-looking estimates for the estimation of expected credit losses ("**ECLs**") on its trade receivables and contract assets.

The Group's trade receivables and contract assets are quantitatively significant to the Group's consolidated financial statements as a whole and the assessment on ECLs involved significant judgements and estimates by management.

Refer to Notes 4(f) and 4(g) for the accounting policies, Note 5(iii) for the critical accounting judgements and significant estimates and Notes 17 and 18 for disclosures of the Group's trade receivables and contract assets, respectively.

Our response:

Our audit procedures in relation to the impairment assessment of trade receivables and contract assets included the following:

- understanding and evaluating the Group's processes and controls over the collection and the assessment of the recoverability of trade receivables and contract assets;
- obtaining and evaluating the management's assessment on the ECLs of trade receivables and contract assets with reference to customers' historical data and existing market conditions;
- testing the ageing of trade receivables and contract assets at the end of the reporting period on a sample basis;
- testing the subsequent settlement of trade receivables balances and the latest amounts of revenue certified on a sample basis; and
- checking material trade receivables and contract assets balances by inspecting relevant contracts and correspondence with the customers.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(Continued)*

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited
Certified Public Accountants

Li Pak Ki

Practising Certificate Number: P01330

Hong Kong

24 September 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2020

	Notes	2020 RM'000	2019 RM'000
Revenue	7	**151,147**	194,017
Cost of sales		**(117,115)**	(152,664)
Gross profit		**34,032**	41,353
Other income/(expense), net	8	**5,273**	408
Administrative expenses		**(16,808)**	(7,638)
Finance costs	9	**(822)**	(1,022)
Listing expenses		**(3,838)**	(8,226)
Profit before income tax expense	10	**17,837**	24,875
Income tax expense	13	**(5,692)**	(8,545)
Profit for the year		**12,145**	16,330
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax:			
Exchange differences on translation of foreign operations		**2,509**	–
Total comprehensive income for the year		**14,654**	16,330
Earnings per share			
— Basic and diluted (RM)	14	**1.29 sen**	2.18 sen

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 RM'000	2019 RM'000
Non-current assets			
Property, plant and equipment	16	23,200	24,066
Deferred tax assets	26	301	–
		23,501	24,066
Current assets			
Trade receivables, other receivables, deposits and prepayments	17	16,718	40,892
Assets held for distribution to Controlling Shareholders	15	–	2,101
Contract assets	18	49,656	61,258
Financial assets at fair value through profit or loss	19	5,665	–
Pledged time deposits and bank balances	33(d)	39,625	7,629
Cash and cash equivalents	20	47,315	12,612
Tax recoverable		711	–
		159,690	124,492
Current liabilities			
Trade and other payables	21	34,348	60,156
Obligations under finance leases	22	–	2,774
Lease liabilities	22	3,095	–
Bank borrowings	23	493	3,566
Dividend payable	15	–	5,600
Tax payable		–	732
		37,936	72,828
Net current assets		121,754	51,664
Total assets less current liabilities		145,255	75,730

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

	Notes	2020 RM'000	2019 RM'000
Non-current liabilities			
Amounts due to directors	25	–	91
Obligations under finance leases	22	–	4,084
Lease liabilities	22	3,140	–
Bank borrowings	23	2,520	3,014
Deferred tax liabilities	26	–	693
		5,660	7,882
NET ASSETS		139,595	67,848
Equity			
Share capital	27	5,300	–
Reserves	28	134,295	67,848
TOTAL EQUITY		139,595	67,848

On behalf of the Board

Mr. Tan Hun Tiong
Director

Mr. Tan Han Peng
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

	Share capital RM'000 (Note 27)	Share premium RM'000 (Note 27)	Other reserve RM'000 (Note (a))	Merger reserve RM'000 (Note (b))	Exchange translation reserve RM'000 (Note (c))	Retained profits RM'000	Total RM'000
At 1 July 2018	–	–	1,200	400	–	44,768	46,368
Profit and total comprehensive income for the year	–	–	–	–	–	16,330	16,330
Dividend declared (Note 15)	–	–	–	–	–	(5,600)	(5,600)
Issue of ordinary shares by TBKS Investments	–	–	13,250	–	–	–	13,250
Acquisition of 50% equity interest in Prestasi Senadi by TBK	–	–	–	(2,500)	–	–	(2,500)
At 30 June 2019 and 1 July 2019	–	–	14,450	(2,100)	–	55,498	67,848
Profit for the year	–	–	–	–	–	12,145	12,145
Exchange differences on translation of foreign operations	–	–	–	–	2,509	–	2,509
Total comprehensive income for the year	–	–	–	–	2,509	12,145	14,654
Issue of new shares under Share Offer (Note 27(iv))	1,325	64,925	–	–	–	–	66,250
Expenses attributed to issue of new shares under Share Offer	–	(9,157)	–	–	–	–	(9,157)
Capitalisation issue (Note 27(iv))	3,975	(3,975)	–	–	–	–	–
Issue of shares for Reorganisation (Note 27(iii))	–	–	(14,450)	14,450	–	–	–
At 30 June 2020	5,300	51,793	–	12,350	2,509	67,643	139,595

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2020

Notes:

(a) Other reserve

Other reserve as at 30 June 2019 represented the issued share capital of Tan Bock Kwee & Sons Sdn. Bhd. ("**TBK**") and TBKS Investments (B.V.I.) Ltd ("**TBKS Investments**") as at 30 June 2019.

(b) Merger reserve

Merger reserve as at 30 June 2020 represented the difference between the investment costs in subsidiaries and the aggregate amount of issued share capital of subsidiaries acquired pursuant to a group reorganisation (the "**Reorganisation**").

Merger reserve as at 30 June 2019 represented the difference between the investment cost in Prestasi Senadi Sdn. Bhd. ("**Prestasi Senadi**") and the amount of issued share capital of Prestasi Senadi pursuant to the Reorganisation as at 30 June 2019.

(c) Exchange translation reserve

Exchange translation reserve represented foreign exchange differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policy set out in Note 4(i).

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	2020 RM'000	2019 RM'000
Operating activities		
Profit before income tax expense	**17,837**	24,875
Adjustments for:		
Depreciation of property, plant and equipment	**4,183**	3,604
(Gain)/loss on disposal of property, plant and equipment	**(248)**	3
Finance costs	**822**	1,022
Interest income	**(456)**	(106)
Impairment loss on trade receivables and contract assets	**438**	5
Reversal of impairment loss on trade receivables and contract assets	**–**	(4)
Fair value gain on financial assets at fair value through profit or loss	**(361)**	–
Gain on disposal of financial assets at fair value through profit or loss	**(271)**	–
Dividend income	**(38)**	–
Gain on settlement of distribution-in-specie to Controlling Shareholders	**(3,499)**	–
Cash flows before working capital changes	**18,407**	29,399
Decrease/(increase) in trade receivables, other receivables, deposits and prepayments	**24,226**	(30,138)
Decrease/(increase) in contract assets	**11,337**	(31,461)
(Decrease)/increase in trade and other payables	**(25,889)**	32,125
Cash generated from/(used in) operations	**28,081**	(75)
Income tax paid	**(8,146)**	(9,715)
Income tax refunded	**17**	–
Interest paid on bank overdrafts	**(46)**	(161)
Net cash generated from/(used in) operating activities	**19,906**	(9,951)
Investing activities		
Purchase of property, plant and equipment	**(262)**	(789)
Purchase of financial assets at fair value through profit or loss	**(6,770)**	–
Interest received	**289**	106
Movements in pledged time deposits and bank balances	**(31,996)**	(5,959)
Movements in restricted bank balances	**–**	16,906
Proceeds from disposal of financial assets at fair value through profit or loss	**1,737**	–
Proceeds from disposal of property, plant and equipment	**251**	23
Dividend received	**38**	–
Net cash (used in)/generated from investing activities	**(36,713)**	10,287

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2020

	2020 RM'000	2019 RM'000
Financing activities		
Interest paid on bank borrowings	**(319)**	(472)
Interest paid on obligations under finance leases and lease liabilities	**(457)**	(389)
Proceeds from bank borrowings	**9,648**	15,823
Repayment of bank borrowings	**(13,215)**	(14,971)
Repayment of obligations under finance leases and lease liabilities	**(3,681)**	(3,229)
Decrease in amounts due to directors	**(91)**	(2,409)
Proceeds from Share Offer	**66,250**	–
Expenses attributed to Share Offer	**(9,157)**	–
Proceeds from issue of ordinary shares by TBKS Investments	**–**	13,250
Net cash generated from financing activities	**48,978**	7,603
Net increase in cash and cash equivalents	**32,171**	7,939
Cash and cash equivalents at beginning of year	**12,612**	4,673
Effect of exchange rate changes on cash and cash equivalents	**2,532**	–
Cash and cash equivalents at end of year	**47,315**	12,612
Analysis of cash and cash equivalents		
Cash and bank balances	**47,315**	12,612

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. GENERAL INFORMATION, REORGANISATION AND SIGNIFICANT EVENTS

(a) General information

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

(b) Reorganisation

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

(c) Significant events

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

COVID-19

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

1. GENERAL INFORMATION, REORGANISATION AND SIGNIFICANT EVENTS *(Continued)*

(c) Significant events *(Continued)*

COVID-19 (Continued)

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

— Complete cessation of civil and structural works from 18 March 2020 to 4 May 2020

— Interruption to the operations due to new Standard Operating Procedures ("**SOP**") required to be implemented

— Negative impact on the demand for the Group's civil and structural works

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

Decrease in revenue

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

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

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation

(a) Statement of compliance

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

(b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis except for the measurement of financial assets at fair value through profit or loss and dividend payable arising from distribution of non-cash assets to shareholders as set out in accounting policy Note 4(f)(i) and Note 4(p).

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

2.2 Basis of presentation

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

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

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

The consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows are prepared as if the current group structure had been in existence throughout the years ended 30 June 2020 and 2019 taking into account the respective dates of incorporation of companies. The consolidated statements of financial position as at 30 June 2020 and 2019 present the assets and liabilities of the companies now comprising the Group as if the current group structure had been in existence at those dates taking into account the respective dates of incorporation of companies.

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

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

2.3 Functional and presentation currency

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

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

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

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

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

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

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

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

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

IFRS 16 — Leases

(i) Impact of the adoption of IFRS 16

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

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

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

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

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

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

IFRS 16 — Leases (Continued)

(i) Impact of the adoption of IFRS 16 *(Continued)*

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

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

(ii) The new definition of a lease

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

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

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

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

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

IFRS 16 — Leases (Continued)

(iii) Accounting as a lessee

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

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

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

Right-of-use asset

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

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

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

IFRS 16 — Leases (Continued)

(iii) Accounting as a lessee *(Continued)*

Lease liability

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

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

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

(iv) Transition

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

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

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

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

IFRS 16 — Leases (Continued)

(iv) Transition *(Continued)*

In addition, the Group has also applied the practical expedients such that: (i) IFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying IAS 17 and (IFRIC)-Int 4 and (ii) not to apply IFRS 16 to contracts that were not previously identified as containing a lease under IAS 17 and (IFRIC)-Int 4.

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

(IFRIC)-Int 23 — Uncertainty over Income Tax Treatments

The interpretation supports the requirements of IAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes. Under the interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and has full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to IFRS 9 — Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met — instead of at fair value through profit or loss.

Amendments to IAS 19 — Plan amendment, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

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

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

Annual Improvements to IFRSs 2015-2017 Cycle — Amendments to IFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IFRS 3 which clarify that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition-date fair value.

Annual Improvements to IFRSs 2015-2017 Cycle — Amendments to IAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to IFRSs 2015-2017 Cycle — Amendments to IAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to IAS 23 which clarify that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

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

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

Amendments to IFRS 3	Definition of a Business[1]
Amendments to IAS 1 and IAS 8	Definition of Material[1]
Conceptual Framework for Financial Reporting	Revised Conceptual Framework for Financial Reporting[1]
Amendment to IFRS 16	Covid-19 — Related Rent Concessions[2]

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

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

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

Further information about the above IFRSs which are expected to be applicable to the Group is as follows:

Amendments to IFR 3 — Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process". Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The Group does not expect that the adoption of the amendments will have significant impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IAS 8 — Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all IFRSs and the Conceptual Framework, and incorporating supporting requirements in IAS 1 into the definition.

The Group does not expect that the adoption of the amendments will have significant impact on the Group's consolidated financial statements.

Conceptual Framework for Financial Reporting ("Conceptual Framework")

The Conceptual Framework sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. The changes to the Conceptual Framework may affect the application of IFRSs in situations where no standard applies to a particular transaction or event.

The Group does not expect that the adoption of the revised Conceptual Framework will have significant impact on the Group's consolidated financial statements.

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

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

Amendment to IFRS 16 — Covid-19-Related Rent Concessions

The amendment was issued in June 2020 and is effective for annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted, including interim or annual financial statements not yet authorised for issue as at 4 June 2020, the date the amendment was issued.

The amendment introduces a new practical expedient for lessees to elect not to assess whether Covid-19-related rent concessions is a lease modification. The practical expedient only applies to rent concessions occurring as a direct consequence of Covid-19 that meets all of the following conditions:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

- Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and

- There is no substantive change to the terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 if the changes were not lease modifications. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of the amendment is not expected to have significant impact on the financial position and performance of the Group.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Business combination and basis of consolidation

The Group applies the acquisition method to account for business combinations. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by IFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(b) Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Freehold land has an unlimited useful life and is not depreciated. Other property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The principal annual depreciation rates are as follows:

Freehold land and building	2%
Leasehold land and shophouse	1%–10%
Workshop	7%–20%
Plant, machinery, excavators, loader and motor vehicles	10%–20%
Furniture, fittings and office equipment	10%–20%

Depreciation has been provided on certain freehold land as the Group has not been able to segregate the cost of the building from the cost of the related freehold land. The directors are of the opinion that the depreciation of the freehold land has no material effect on the financial statements of the Group.

Construction in progress represents building under construction is stated at cost less impairment losses. Cost comprises direct costs of construction as well as borrowing costs capitalised during the periods of construction and installation. Capitalisation of these costs ceases and the construction in progress is transferred to the appropriate class of property, plant and equipment when substantially all the activities necessary to prepare the assets for their intended use are completed. No depreciation is provided for in respect of construction in progress until it is completed and ready for its intended use.

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount. Right-of-use assets are depreciated over the shorter period of the lease term and the useful life of the underlying asset. If the lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(d) Payments for leasehold land held for own use under operating leases

Payments for leasehold land held for own use under operating leases represent up-front payments to acquire long-term interests in lessee-occupied properties. These payments are stated at cost and are amortised over the period of the lease on a straight-line basis as an expense.

(e) Leasing

Accounting policies applied from 1 July 2019

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

Right-of-use asset

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

Lease liabilities

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(e) Leasing *(Continued)*

Accounting policies applied from 1 July 2019 (Continued)

Lease liabilities *(Continued)*

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

Accounting policies applied until 30 June 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under operating leases are recognised in profit or loss on a straight-line basis over the lease term.

(f) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities are initially measured at fair value.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss ("**FVTPL**"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(i) Financial assets

Amortised cost

On initial recognition, the Group's financial assets (other than financial assets measured at FVTPL) are classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

— the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

— the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The financial assets at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Fair value through other comprehensive income ("FVTOCI")

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

— the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

— the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(i) Financial assets (Continued)

FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL. Financial assets at FVTPL include financial assets held for trading, financial assets designated upon initial recognition at FVTPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset.

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Impairment of financial assets

The Group has these types of financial assets subject to IFRS 9's new expected credit loss ("**ECL**") model:

— Trade receivables for civil and structural works

— Other receivables and deposits

— Contract assets

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

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires lifetime ECLs to be recognised from initial recognition of the receivables. Impairment policy for trade receivables also applies to contract assets.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(i) *Financial assets (Continued)*

Impairment of financial assets *(Continued)*

Impairment on other receivables and deposits is measured as either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, impairment is measured as lifetime ECLs. These balances were considered to be of low credit risk and impairment provision recognised, if any, during the years ended 30 June 2020 and 2019 was limited to 12-month ECLs. The 12-month ECLs of these balances during the years ended 30 June 2019 and 2018 are close to zero.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or

- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

— significant financial difficulty of the borrower or issuer;

— a breach of contract such as a default or past due event;

— it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Financial instruments *(Continued)*

(i) Financial assets (Continued)

Impairment of financial assets *(Continued)*

Presentation of allowance for ECL in the consolidated statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

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

(ii) Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial liabilities

The Group's financial liabilities, other than dividend payable resulting from distribution of non-cash assets to shareholders, are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Group's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time.

Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service.

Provision of civil and structural works

Recognition

The Group provides civil and structural works based on contracts entered with customers. Such contracts are entered into before the services begin. Under the terms of the contracts, the civil and structural works performed by the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. Revenue from provision of civil and structural works is therefore recognised over time using output method, i.e. based on surveys of civil and structural works completed by the Group to date with reference to payment certificates issued by architects, surveyors or other representatives appointed by the customer. The directors of the Company consider that output method would faithfully depict the Group's performance towards complete satisfaction of these performance obligations under IFRS 15 Revenue from Contracts with Customers.

For contracts that contain variable consideration the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Revenue recognition *(Continued)*

Provision of civil and structural works (Continued)

Recognition *(Continued)*

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of each reporting period and the change in circumstances during the reporting period.

For warranty embedded in the civil and structural works, the Group accounts for the warranty in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets unless the warranty provides the customer with a service in addition to the assurance that the contracting work complies with the agreed-upon specifications.

If at any time the unavoidable costs of meeting contractual obligations are estimated to exceed the remaining amount of the economic benefits expected to be received under the contract, then a provision is recognised in accordance with policy set out in "Onerous contracts" below.

Contract assets and liabilities

A contract asset represents the Group's right to consideration in exchange for services that the Group has transferred to a customer that is not yet unconditional. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contract asset is recognised when (i) the Group completes the civil and structural works under such services contracts but yet certified by architects, surveyors or other representatives appointed by customers, or (ii) the customers retain retention money to secure the due performance of the contracts. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the considerations (including advances received from customers) exceeds the revenue recognised to date under the output method then the Group recognises a contract liability for the difference.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(g) Revenue recognition *(Continued)*

Contract costs

The Group recognises an asset from the costs incurred to fulfil a contract when those costs meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify;

(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the cost relate. The asset is subject to impairment review.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Interest income

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

Dividend income

Dividend income is recognised when the right to receive the dividend is established.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Income taxes

Income taxes comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates expected to apply in the period when the liability is settled or the asset is realised based on tax rates that have been enacted or substantively enacted at the end of the reporting period.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

(i) Foreign currency

Transactions entered into by group entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in other comprehensive income, in which case, the exchange differences are also recognised directly in other comprehensive income.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Foreign currency *(Continued)*

On preparing consolidated financial statements, the results of foreign operations are translated into the presentation currency of the Group (i.e. RM) at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising on the translation are recognised directly in other comprehensive income and accumulated as exchange translation reserve within equity. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to the exchange translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the exchange translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

(j) Employee benefits

(i) Short term employee benefits

Short term employee benefits are employee benefits that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related services. Short term employee benefits are recognised in the year when the employees render the related services.

(ii) Defined contribution retirement plan

The Company's subsidiaries incorporated in Malaysia make contributions to statutory pension schemes which are defined contribution plans at statutory fixed rates gazetted by Malaysia from time to time. The contributions are recognised as a liability after deducting any contributions already paid and as an expense in the period in which the employees render their services.

Contributions to Mandatory Provident Fund Scheme in Hong Kong are recognised as an expense in profit or loss when the services are rendered by the employees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Impairment of assets (other than financial assets)

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment (including right-of-use assets)

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Value in use is based on the estimated future cash flows expected to be derived from the asset or cash generating unit, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

(l) Borrowing costs

Borrowing costs attributable directly to the acquisition, construction or production of qualifying assets which require a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of those assets. Income earned on temporary investments of specific borrowings pending their expenditure on those assets is deducted from borrowing costs capitalised. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

(m) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Group in the management of their short term commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(o) Related parties

(a) A person or a close member of that person's family is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of key management personnel of the Group or the Company's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(o) Related parties *(Continued)*

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

(p) Dividends

Interim dividends are recognised immediately when they are proposed and declared. Final dividends are recognised as a liability when they are approved by shareholders in a general meeting.

Dividend payable resulting from distribution of non-cash assets to shareholders is measured at the fair value of the assets to be distributed at the end of each reporting period and at the date of settlement. Any adjustment to the carrying amount of dividend payable resulting from change in the fair value of the assets to be distributed is recognised in equity as adjustments to the amount of the distribution. Upon settlement of the dividend payable, the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the dividend payable is recognised in profit or loss.

(q) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(i) Civil and structural works

The Group reviews and revises the estimates of contract revenue, contract costs, variations in contract work and claims prepared for each civil and structural works contract as the contract progresses. Budgeted contract costs are prepared by the management on the basis of quotations from time to time provided by the major subcontractors, suppliers or vendors involved and the experience of the management. In order to keep the budget accurate and up-to-date, management conducts periodic reviews of the budgets of contracts by comparing the budgeted amounts to the actual amounts incurred.

Recognised amounts of contract revenue and related contract assets and receivables reflect management's best estimate of each contract's outcome and value of works completed, which are determined on the basis of a number of estimates. This includes the assessment of the profitability of on-going civil and structural works. For more complex contracts in particular, costs to complete and contract profitability are subject to significant estimation uncertainty. The actual outcomes in terms of total cost or revenue may be higher or lower than estimated at the end of each reporting period, which would affect the revenue and profit or loss recognised in future years as an adjustment to the amounts recorded to date.

(ii) Useful lives of property, plant and equipment (including right-of-use assets)

The Group determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated useful lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in estimated useful lives and therefore affect the depreciation charges in future periods.

5. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

(iii) Impairment of trade receivables and contract assets

The impairment allowances for trade receivables and contract assets are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumptions and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward-looking estimates at the end of each reporting period. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provisions may be required.

(iv) Income tax and deferred tax

The Group is subject to Malaysian corporate income tax. Significant judgement is required on the interpretation of tax laws and legislations during the estimation of the provision for income tax. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the income tax and deferred income tax provisions, where applicable, in the period in which such determination is made.

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

6. 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.

6. SEGMENT REPORTING *(Continued)*

(a) Reportable segment *(Continued)*

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

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

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

6. SEGMENT REPORTING *(Continued)*

(a) Reportable segment *(Continued)*

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

6. SEGMENT REPORTING *(Continued)*

(b) Geographical information

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

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

(c) Major customers

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

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

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

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

7. REVENUE

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

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

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

Civil and structural works represent performance obligations that the Group satisfies over time for each respective contract. The period of civil and structural works varies from 1 to 4 years.

Transaction price allocated to the remaining performance obligations

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

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

Based on the information available to the Group as at the end of each reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as at 30 June 2020 and 2019 will be recognised as revenue during the years ended 30 June 2020 to 30 June 2024 in respect of provision of civil and structural works.

8. OTHER INCOME/(EXPENSES), NET

	2020 RM'000	2019 RM'000
Rental income	–	250
Interest income	456	106
Gain/(loss) on disposal of property, plant and equipment	248	(3)
Sundry income	356	55
Fair value gain on financial assets at fair value through profit or loss	361	–
Gain on settlement of distribution-in-specie to Controlling Shareholders (Note 15)	3,499	–
Gain on disposal of financial assets at fair value through profit or loss	271	–
Dividend income	38	–
Government grants	44	–
	5,273	408

9. FINANCE COSTS

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

10. PROFIT BEFORE INCOME TAX EXPENSE

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

Notes:

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

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

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Details of the emoluments of directors and chief executive of the Company for the years ended 30 June 2020 and 2019 are set out as follows:

For the year ended 30 June 2020

	Fees RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to defined contribution plans RM'000	Total RM'000
Executive directors					
Mr. Tan Hun Tiong	244	755	1,500	76	2,575
Mr. Tan Han Peng	244	755	1,500	152	2,651
Non-executive director					
Ms. Chooi Pey Nee	95	–	–	–	95
Independent non-executive directors					
Mr. Tan Chade Phang (Chen Yifan)	98	–	–	–	98
Mr. Ng Chiou Gee Willy	98	–	–	–	98
Mr. Chu Hoe Tin	98	–	–	–	98
	877	1,510	3,000	228	5,615

11. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS *(Continued)*

For the year ended 30 June 2019

	Fees	Salaries and other benefits	Discretionary bonus	Contributions to defined contribution plans	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Executive directors					
Mr. Tan Hun Tiong	–	660	700	50	1,410
Mr. Tan Han Peng	–	667	300	87	1,054
Non-executive director					
Ms. Chooi Pey Nee	–	–	–	–	–
Independent non-executive directors					
Mr. Tan Chade Phang (Chen Yifan)	–	–	–	–	–
Mr. Ng Chiou Gee Willy	–	–	–	–	–
Mr. Chu Hoe Tin	–	–	–	–	–
	–	1,327	1,000	137	2,464

Mr. Tan Hun Tiong and Mr. Tan Han Peng were appointed as the Company's directors on 8 November 2018 and re-designated as executive directors on 20 January 2019.

Ms. Chooi Pey Nee was appointed as the Company's director on 24 January 2019 and re-designated as a non-executive director on 29 January 2019 and Mr. Tan Chade Phang (Chen Yifan), Mr. Ng Chiou Gee Willy and Mr. Chu Hoe Tin were appointed as the Company's independent non-executive directors on 5 September 2019. During the year ended 30 June 2019, the non-executive director did not receive any emoluments and the independent non-executive directors have not yet been appointed and did not receive any emoluments.

The discretionary bonus is determined by reference to the financial performance of the Group and the performance of the Company's director in each reporting period.

12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, 2 (2019: 2) were directors of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining 4 (2019: 3) individuals were as follows:

	2020 RM'000	2019 RM'000
Salaries and other benefits	1,663	658
Contributions to defined contribution plans	60	97
Discretionary bonus	120	120
	1,843	875

The emoluments of each of the above non-director highest paid individuals during the years ended 30 June 2020 and 2019 were all within the following bands:

	Number of individuals	
	2020	2019
HK$nil to HK$1,000,000	3	3
HK$1,000,001 to HK$1,500,000	1	–
	4	3

Note: Two non-director highest paid individuals have the same emoluments during the year ended 30 June 2020.

13. INCOME TAX EXPENSE

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

13. INCOME TAX EXPENSE *(Continued)*

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

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

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

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

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

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

14. EARNINGS PER SHARE

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

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

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

The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 30 June 2019 was based on 750,000,000 ordinary shares, representing the number of ordinary shares of the Company immediately after the capitalisation issue of 749,999,900 new shares (the "**Capitalisation Issue**") as disclosed in the Prospectus, as if all these shares had been in issue throughout the year ended 30 June 2019.

Diluted earnings per share amount was the same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for the years ended 30 June 2020 and 2019.

15. DIVIDEND

	2020 RM'000	2019 RM'000
Interim dividend declared in respect of the year	–	5,600

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

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

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

16. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Freehold land and building RM'000	Leasehold land RM'000	Leasehold land and shophouse RM'000	Workshop RM'000	Plant and machinery, excavators, loader and motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Right-of-use assets RM'000	Total RM'000
Cost									
At 1 July 2018	9,355	2,343	519	3,245	10	20,564	320	–	36,356
Additions	900	–	–	–	–	5,850	133	–	6,883
Disposals	–	–	–	–	–	(128)	–	–	(128)
Written off	–	–	–	–	–	(429)	–	–	(429)
Transfer to assets held for distribution to Controlling Shareholders	(2,101)	–	–	–	–	–	–	–	(2,101)
At 30 June 2019 as originally presented	8,154	2,343	519	3,245	10	25,857	453	–	40,581
Initial application of IFRS 16	–	–	(519)	(2,580)	–	(20,370)	–	23,469	–
Restated balance as at 1 July 2019	8,154	2,343	–	665	10	5,487	453	23,469	40,581
Additions	–	72	–	–	–	89	101	3,058	3,320
Disposals	–	–	–	–	–	(1,034)	–	–	(1,034)
Reclassification	–	665	–	(665)	–	–	–	–	–
Transfer from right-of-use assets upon full settlement of related lease liabilities	–	–	–	–	–	10,049	–	(10,049)	–
At 30 June 2020	8,154	3,080	–	–	10	14,591	554	16,478	42,867

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Freehold land RM'000	Freehold land and building RM'000	Leasehold land RM'000	Leasehold land and shophouse RM'000	Workshop RM'000	Plant and machinery, excavators, loader and motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Right-of-use assets RM'000	Total RM'000
Accumulated depreciation									
At 1 July 2018	–	344	107	282	7	12,576	126	–	13,442
Charge for the year	–	47	5	41	1	3,464	46	–	3,604
Disposals	–	–	–	–	–	(102)	–	–	(102)
Written off	–	–	–	–	–	(429)	–	–	(429)
At 30 June 2019 as originally presented	–	391	112	323	8	15,509	172	–	16,515
Initial application of IFRS 16	–	–	(112)	(212)	–	(10,863)	–	11,187	–
Restated balance as at 1 July 2019	–	391	–	111	8	4,646	172	11,187	16,515
Charge for the year	–	61	–	–	1	1,221	72	2,828	4,183
Disposals	–	–	–	–	–	(1,031)	–	–	(1,031)
Reclassification	–	111	–	(111)	–	–	–	–	–
Transfer from right-of-use assets upon full settlement of related lease liabilities	–	–	–	–	–	7,996	–	(7,996)	–
At 30 June 2020	–	563	–	–	9	12,832	244	6,019	19,667
Net carrying amount									
At 30 June 2020	8,154	2,517	–	–	1	1,759	310	10,459	23,200
At 30 June 2019	8,154	1,952	407	2,922	2	10,348	281	–	24,066

As at 30 June 2020, freehold land, freehold land and buildings, right-of-use assets of the Group with total net carrying amount of RM9,347,000 (as at 30 June 2019, freehold land, freehold land and buildings, leasehold land and leasehold land and shophouse of the Group with total net carrying amount of RM10,057,000) are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 23.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

16. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

Right-of-use assets

	Leasehold land RM'000	Leasehold land and building RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Total RM'000
At 1 July 2019	407	2,368	7,133	2,374	12,282
Additions	–	1,018	2,040	–	3,058
Depreciation	(5)	(347)	(2,018)	(458)	(2,828)
Transfer to property, plant and equipment	–	–	(1,487)	(566)	(2,053)
At 30 June 2020	402	3,039	5,668	1,350	10,459

As at 30 June 2019, the net carrying amount of the Group's property, plant and equipment included an amount of RM9,507,000 in respect of assets held under finance leases. Upon adoption of IFRS 16 on 1 July 2019, such property, plant and equipment were reclassified as right-of-use assets.

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2020 RM'000	2019 RM'000
Depreciation charge of right-of-use assets	2,828	–
Interest on lease liabilities/obligations under finance leases (Note 9)	457	389
Expense relating to short-term leases	2,264	–
Total minimum lease payments for leases previously classified as operating leases under IAS 17	–	3,066
	5,549	3,455

17. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

* Including prepaid listing expenses of RM2,455,000

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

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

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

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

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

18. CONTRACT ASSETS

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

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

As at 30 June 2020 and 2019, retention money for contract works amounted to RM31,186,000 and RM30,928,000, respectively, are included in contract assets. Retention money is part of the consideration that the customers retain which is payable on successful completion of the contracts in order to provide the customers with assurance that the Group will complete its obligation satisfactorily under the contracts, rather than to provide financing to the customers. Retention money is unsecured, interest-free and recoverable at the end of the defects liability period of individual contracts. Retention money as at 30 June 2020 increased since there were more projects in construction stage. The retention money is to be settled, based on the completion of defects liability period at the end of each reporting period as follows:

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

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

19. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 RM'000	2019 RM'000
Financial assets at FVTPL comprise:		
Listed shares in Hong Kong	5,665	–

They are measured at Level 1 of fair value hierarchy under IFRS 13 Fair value measurement as detailed in Note 37(b).

20. CASH AND CASH EQUIVALENTS

	2020 RM'000	2019 RM'000
Cash and bank balances	21,276	12,612
Balances with financial institutions	26,039	–
	47,315	12,612

The balances within banks and financial institutions can be withdrawn with short notices. Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default. The financial institutions are also creditworthy and the credit risk is considered to be minimal. The carrying amounts of the cash and cash equivalents approximate their fair values.

The carrying amounts of cash and cash equivalents are denominated in the following currencies:

	2020 RM'000	2019 RM'000
RM	6,009	12,610
United States Dollar ("**USD**")	21,400	2
HK$	19,906	–
	47,315	12,612

21. TRADE AND OTHER PAYABLES

	2020 RM'000	2019 RM'000
Trade payables	26,416	53,183
Retention payables	2,841	1,007
Accruals	5,086	5,902*
Other payables	5	64
	34,348	60,156

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

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

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

	2020 RM'000	2019 RM'000
Within 30 days	3,610	7,300
31 to 60 days	1,777	4,347
61 to 90 days	7,335	11,679
Over 90 days	13,694	29,857
	26,416	53,183

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

22. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASES

IFRS 16 was adopted on 1 July 2019 without restatement of comparative figures. An explanation of the transitional requirements that were applied as at 1 July 2019 are set out in Note 3(a)(iv). The accounting policies applied subsequent to the date of initial application, 1 July 2019, are disclosed in Note 4(e).

Nature of leasing activities (in the capacity as lessee)

The Group leases a number of properties in Malaysia and the periodic rent is fixed over the lease term.

During the years ended 30 June 2020 and 2019, the Group acquired certain plant, machinery and motor vehicles under leasing arrangements. These leasing arrangements were classified as finance leases under IAS 17. The obligations under finance leases as at 30 June 2019 will mature in September 2023.

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at date of transition to IFRS 16:

	30 June 2020		1 July 2019 (Note)		30 June 2019	
	Present value RM'000	**Minimum lease payments RM'000**	Present value RM'000	Minimum lease payments RM'000	Present value RM'000	Minimum lease payments RM'000
Not later than one year	**3,095**	**3,374**	2,774	3,099	2,774	3,099
Later than one year but not later than two years	**1,767**	**1,912**	2,090	2,254	2,090	2,254
Later than two years but not later than five years	**1,373**	**1,486**	1,994	2,094	1,994	2,094
	6,235	**6,772**	6,858	7,447	6,858	7,447
Less: total future interest expenses		**(537)**		(589)		(589)
Present value of lease liabilities		**6,235**		6,858		6,858

The present value of future lease payments are analysed as:

	2020 RM'000	2019 RM'000
Current liabilities	**3,095**	2,774
Non-current liabilities	**3,140**	4,084
	6,235	6,858

22. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASES *(Continued)*

Note:

As at 30 June 2019, finance leases were secured by joint and several guarantees by the Controlling Shareholders. These guarantees were released and to be replaced by corporate guarantees provided by the Company.

As at 30 June 2020 and 2019, the carrying amounts of lease liabilities/obligations under finance leases are denominated in RM.

23. BANK BORROWINGS

	2020 RM'000	2019 RM'000
Term loans (secured) (Notes (a) and (b))	3,013	3,449
Banker's acceptances (secured) (Note (d))	–	3,131
	3,013	6,580
Borrowings are repayable as follows:		
— within one year	493	3,566
— after one year but within two years	522	465
— after two years but within five years	1,290	1,510
— after five years	708	1,039
	3,013	6,580
Amount due within one year included in current liabilities	493	3,566
Amount include in non-current liabilities	2,520	3,014

Notes:

(a) The interest rate profile of term loans is set out in Note 36(a).

Term loans are secured by:

(i) As at 30 June 2020, legal charges over certain freehold land and building, right-of-use assets of the Group with net carrying amount of RM7,883,000.

(ii) As at 30 June 2019, legal charges over certain freehold land and building of the Group with net carrying amount of RM7,930,000.

(iii) As at 30 June 2019, joint and several guarantee by the Controlling Shareholders of RM28,627,000.

23. BANK BORROWINGS *(Continued)*

Notes: (Continued)

(b) As at 30 June 2020 and 2019, the carrying amount of term loans from banks in Malaysia that are not repayable within one year from the end of the reporting period but contains repayable on demand clause amounted to RM2,520,000 and RM 3,014,000, respectively.

The directors of the Company have obtained legal opinion that, in accordance with the case laws established in Malaysia, the mere inclusion of a repayment on demand clause in a term loan agreement governed under the laws of Malaysia would not allow the banks to early terminate the facilities granted and to seek immediate repayment from the borrower unless there is a breach by the borrower, as the clause would not override other terms and conditions provided in the term loan agreement.

Accordingly, the liability associated with the term loans of the Group raised in Malaysia that contained a repayable on demand clause is classified as current and/or non-current liability as at 30 June 2020 and 2019 in accordance with other terms and conditions as stated in the respective term loan agreement.

Any change to the precedence established by the case laws in Malaysia relating to the interpretation of the repayment on demand clause in the future may have an impact to the classification of the term loans of the Group.

(c) Bank overdrafts available to the Group are secured by:

(i) As at 30 June 2020, fixed charges over certain freehold land and building, right-of-use assets of the Group with net carrying amount of RM7,006,000.

(ii) As at 30 June 2019, fixed charges over certain freehold and leasehold land and building of the Group with net carrying amount of RM6,816,000.

(iii) As at 30 June 2019, joint and several guarantees by the Controlling Shareholders and guarantee by a company under the control of the Controlling Shareholders of RM58,721,000 and RM250,000, respectively. Joint and several guarantees of RM31,222,000 by the Controlling Shareholders were released and replaced by corporate guarantee of the same amount provided by the Company. The remaining guarantees were released and to be replaced by corporate guarantee to be provided by the Company.

(d) Banker's acceptances are secured by:

(i) As at 30 June 2020, fixed charges over certain freehold land and building, right-of-use assets of the Group with net carrying amount of RM6,817,000.

(ii) As at 30 June 2019, fixed charges over certain freehold and leasehold land and building of the Group with net carrying amount of RM6,850,000.

(iii) As at 30 June 2020 and 2019, pledge of the Group's fixed deposits of RM31,253,000 and RM1,002,000, respectively.

(iv) The interest rate profile of banker's acceptances is set out in Note 36(a).

The bank borrowings are further secured by assignment of contract proceeds and debenture on contract proceeds in favour of the relevant banks.

(e) As at 30 June 2020 and 2019, the carrying amounts of bank borrowings are denominated in RM.

24. BALANCES WITH SUBSIDIARIES

The Company

The amounts due from/to subsidiaries were non-trade in nature, unsecured, interest-free and repayable on demand.

25. AMOUNTS DUE TO DIRECTORS

As at 30 June 2019, the amounts were non-trade in nature, unsecured, interest-free and not repayable within the next twelve months. The amounts due to directors have been fully settled before Listing.

26. DEFERRED TAX ASSETS/(LIABILITIES)

Details of the deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and movements during the years ended 30 June 2020 and 2019 are as follows:

	Accelerated depreciation and industrial building allowances	Other deductible temporary differences	Total
	RM'000	RM'000	RM'000
At 1 July 2018	(627)	–	(627)
Recognised in profit or loss (Note 13)	(111)	45	(66)
At 30 June 2019 and 1 July 2019	(738)	45	(693)
Recognised in profit or loss (Note 13)	259	735	994
At 30 June 2020	(479)	780	301

27. 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 30 June 2020	10,000,000,000	100,000,000	53,000
Ordinary shares of par value of HK$0.01 each			
Issued and fully paid			
Issue of Share upon incorporation and at 30 June 2019 (Note (i))	1	0.01	*
Issue of Shares for Reorganisation (Note (iii))	99	0.99	*
Issue of Shares for Share Offer (Note (iv))	250,000,000	2,500,000	1,325
Issue of Shares for Capitalisation Issue (Note (iv))	749,999,900	7,499,999	3,975
At 30 June 2020	1,000,000,000	10,000,000	5,300

* Represents amount less than RM1,000

Notes:

(i) The Company was incorporated in the Cayman Islands on 8 November 2018 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares (the "**Shares**") with a par value of HK$0.01 per Share. On 8 November 2018, one fully-paid Share was allotted to the initial subscriber which was transferred to TBKS International on the same date. As the issued share capital of the Company is HK$0.01 (RM nil) as at 30 June 2019, share capital is presented as nil in the consolidated statement of financial position as at 30 June 2019.

(ii) On 5 September 2019, the authorised share capital of the Company was increased from HK$380,000 divided into 38,000,000 Shares to HK$100,000,000 divided into 10,000,000,000 Shares by the creation of additional 9,962,000,000 Shares which rank pari passu in all respects with the Shares in issue on 5 September 2019.

(iii) On 5 September 2019, the Company allotted and issued 79 Shares and 20 Shares with a par value of HK$0.01 per Share to TBKS International and Victory Lead Ventures Limited which were credited as fully paid as consideration for the transfer of their entire shareholdings interest in TBKS Investments to the Company.

(iv) On 27 September 2019, the Company allotted and issued a total of 250,000,000 Shares of HK$0.01 each at a price of HK$0.5 per Share as a result of the completion of the Share Offer. The gross proceeds from Share Offer of RM66.3 million (or HK$125 million equivalent) 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 (or HK$122.5 million equivalent) before deduction of share issuance expenses, was credited to 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.

28. RESERVES

The Group

The amount of the Group's reserves and movements are presented in the consolidated statement of changes in equity on page 56.

The Company

	Share premium RM'000	Contributed surplus RM'000	Exchange translation reserve RM'000	Accumulated losses RM'000	Total RM'000
At 8 November 2018	–	–	–	–	–
Loss for the period from 8 November 2018 to 30 June 2019	–	–	–	(8,671)	(8,671)
At 30 June 2019 and 1 July 2019	–	–	–	(8,671)	(8,671)
Issue of ordinary shares by the Company pursuant to the Reorganisation	–	83,285	–	–	83,285
Issue of new shares under Share Offer	64,925	–	–	–	64,925
Expenses attributed to issue of new shares under Share Offer	(9,157)	–	–	–	(9,157)
Capitalisation issue (Note 27(iv))	(3,975)	–	–	–	(3,975)
Other comprehensive income	–	–	1,682	–	1,682
Loss for the year	–	–	–	(7,889)	(7,889)
At 30 June 2020	51,793	83,285	1,682	(16,560)	120,200

Contributed surplus of the Company represents the difference between the net asset value of the subsidiaries acquired and the nominal value of the shares of the Company issued in exchange thereof pursuant to the Reorganisation.

29. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2020 RM'000	2019 RM'000
Non-current asset			
Interests in subsidiaries	30	83,285	–
Current assets			
Prepayments		526	2,453
Amounts due from subsidiaries		48,980	–
Cash and cash equivalents		7,537	–
		57,043	2,453
Current liabilities			
Accruals and other payables		1,081	3,207
Amount due to a subsidiary	24	13,747	7,917
		14,828	11,124
Net current assets/(liabilities)		42,215	(8,671)
TOTAL ASSETS NET CURRENT LIABILITIES		125,500	(8,671)
Equity			
Share capital	27	5,300	–
Reserves	28	120,200	(8,671)
TOTAL EQUITY		125,500	(8,671)

On behalf of the Board

Mr. Tan Han Peng
Director

Mr. Tan Hun Tiong
Director

30. INTERESTS IN SUBSIDIARIES

As at each reporting date, the Company has direct and indirect interests in the following subsidiaries, all of which are private companies with limited liabilities:

Name of subsidiaries	Place and date of incorporation	Place of operation	Issued and fully paid-up capital	Effective interest held by the Company 2020	Effective interest held by the Company 2019	Principal activities
Directly held:						
TBKS Investments	British Virgin Islands ("**BVI**") 17 July 2018	BVI	USD100	100%	100%	Investment holding
Indirectly held:						
TBKS Holding	Malaysia 25 October 2018	Malaysia	RM10,000	100%	100%	Investment holding
TBKS Hong Kong Limited	Hong Kong 26 June 2018	Hong Kong	HK$10,000	100%	100%	Treasury function and investment function
TBK	Malaysia 22 May 1975	Malaysia	RM1,200,000	100%	100%	Civil and structural works contractor
Prestasi Senadi	Malaysia 4 January 1993	Malaysia	RM800,000	100%	100%	Civil and structural works contractor and hire of machinery

None of the subsidiaries had issued any debt securities at the end of the year or any time during the year.

31. RELATED PARTY TRANSACTIONS

(a) Save for the transactions and balances as detailed in Notes 22, 23(a), 23(c), 25 and 33, the Group had no other material transactions with related parties during the years ended 30 June 2020 and 2019.

(b) **Compensation of key management**

Remuneration of key management personnel, who are directors of the Company, during the year were disclosed in Note 11.

32. CONTINGENT LIABILITIES

As at 30 June 2020 and 2019, the Group did not have any significant contingent liabilities.

33. PERFORMANCE GUARANTEES

As at 30 June 2020 and 2019, performance guarantees of RM23,145,000 and RM33,971,000, respectively, were given by banks in favour of the Group's customers as security for the due performance and observance of the Group's obligations under the contracts entered into between the Group and its customers. If the Group fails to provide satisfactory performance to its customers to whom performance guarantees have been given, such customers may demand the banks to pay to them the sum or sum stipulated in such demand. The Group will become liable to compensate such banks accordingly. The performance guarantees will be released upon completion of the contract works. The performance guarantees were granted under the banking facilities of the Group which were secured by:

(a) As at 30 June 2020 and 2019, legal charges over the Group's properties with net carrying amount of RM6,817,000 and RM7,072,000, respectively;

(b) As at 30 June 2020 and 2019, fixed deposits held by the Controlling Shareholders;

(c) As at 30 June 2019, joint and several guarantees by the Controlling Shareholders of RM58,721,000. These guarantees of RM31,222,000 were released and replaced by corporate guarantee of the same amount provided by the Company;

(d) As at 30 June 2020 and 2019, pledge of the Group's fixed deposits and bank balances of RM39,625,000 and RM7,629,000, respectively; and

(e) Assignment of contract proceeds and debenture on contract proceeds in favour of the relevant banks.

In the opinion of the management of the Group, they do not consider it is probable that a claim will be made against the Group in respect of the above performance guarantees.

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Major non-cash transactions

(a) The cash consideration of RM2,500,000 for the acquisition of 50% equity interest in Prestasi Senadi by TBK as detailed in Note 2.2 was settled to the extent of RM2,409,000 and the remaining balance of RM91,000 was unsettled and reflected as amounts due to directors in the consolidated statement of financial position as at 30 June 2019.

(b) Purchase of property, plant and equipment under lease arrangements of RM3,058,000 and RM5,194,000 for the years ended 30 June 2020 and 2019, respectively.

(c) During the year ended 30 June 2019, additions to freehold land of RM900,000 as set out under Note 16 represented the utilisation of deposits of RM900,000 under non-current assets in the consolidated statement of financial position as at 30 June 2018.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group's liabilities from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are liabilities for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Amounts due to directors RM'000	Obligations under finance leases RM'000	Lease liabilities RM'000	Bank borrowings RM'000	Total RM'000
At 1 July 2019	91	6,858	–	6,580	13,529
Initial application of IFRS 16 (Note 3(a)(i))	–	(6,858)	6,858	–	–
At 1 July 2019	91	–	6,858	6,580	13,529
Changes from cash flows:					
Interest paid on lease liabilities	–	–	(457)	–	(457)
Interest paid on bank borrowings	–	–	–	(319)	(319)
Decrease in amounts due to directors	(91)	–	–	–	(91)
Repayment of lease liabilities	–	–	(3,681)	–	(3,681)
Proceeds from bank borrowings	–	–	–	9,648	9,648
Repayment of bank borrowings	–	–	–	(13,215)	(13,215)
Total changes from financing cash flows:	(91)	–	(4,138)	(3,886)	(8,115)
Other changes:					
Purchase of property, plant and equipment under lease arrangements	–	–	3,058	–	3,058
Interest on lease liabilities	–	–	457	–	457
Interest expenses	–	–	–	319	319
Total other changes	–	–	3,515	319	3,834
At 30 June 2020	–	–	6,235	3,013	9,248

34. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Reconciliation of liabilities arising from financing activities *(Continued)*

	Amounts due to directors RM'000	Obligations under finance leases RM'000	Bank borrowings (excluding bank overdrafts) RM'000	Total RM'000
At 1 July 2018	–	4,893	5,728	10,621
Changes from cash flows:				
Interest paid on obligations under finance leases	–	(389)	–	(389)
Interest paid on bank borrowings	–	–	(472)	(472)
Decrease in amounts due to directors	(2,409)	–	–	(2,409)
Repayment of obligations under finance leases	–	(3,229)	–	(3,229)
Proceeds from bank borrowings	–	–	15,823	15,823
Repayment of bank borrowings	–	–	(14,971)	(14,971)
Total changes from financing cash flows:	(2,409)	(3,618)	380	(5,647)
Other changes:				
Purchase of property, plant and equipment	–	5,194	–	5,194
Finance charges on obligations under finance leases	–	389	–	389
Interest expenses	–	–	472	472
Acquisition of 50% equity interest in Prestasi Senadi	2,500	–	–	2,500
Total other changes	2,500	5,583	472	8,555
At 30 June 2019	91	6,858	6,580	13,529

35. CAPITAL MANAGEMENT

Capital is equivalent to issued capital and reserves attributable to the owners of the Company or total equity. The primary objectives of the Group's capital management are to ensure that it maintains strong capital base and healthy capital ratios in order to sustain its future business development and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions by meeting the internal capital requirements, optimising return to shareholders, maintaining adequate levels and optimum mix of capital. To meet these objectives, the Group may adjust the dividend payment to its shareholders, return capital to shareholders or issue new shares. No changes were made to these objectives, policies or processes during the years ended 30 June 2020 and 2019.

The Group monitors capital by actively managing the level of gearing ratio which is total debt (bank borrowings, lease liabilities/obligations under finance leases and amounts due to directors) divided by total equity. The gearing ratio at the end of each reporting period was as follows:

	2020 **RM'000**	2019 RM'000
Total debt	**9,248**	13,529
Total equity	**139,595**	67,848
Gearing ratio	**7%**	20%

36. FINANCIAL RISK MANAGEMENT

The Group's financial risk management objectives are value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in interest rates and the unpredictability of the financial markets.

The Group is exposed mainly to interest rate risk, liquidity risk, credit risk, currency risk and fair value risk. Information on the management of the related exposures is detailed below:

(a) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's borrowings at variable interest rates are exposed to a risk of change in cash flows due to changes in interest rates.

The Group borrows for operations at variable interest rates under term loans and bank overdrafts. There is no formal hedging policy with respect to interest rate exposure.

The following details the interest rate profile of the Group's financial instruments at the end of each reporting period.

	As at 30 June			
	2020		2019	
	Effective interest rate (%)	**RM'000**	Effective interest rate (%)	RM'000
Fixed rate				
Lease liabilities	**2.32–5.83**	**6,235**	N/A	–
Obligations under finance leases	**N/A**	**–**	2.32–4.26	6,858
Banker's acceptances	**N/A**	**–**	4.76–5.06	3,131
Less: Fixed deposits with licensed banks	**1.65–3.55**	**(39,625)**	2.55–3.25	(7,629)
Net fixed rate borrowing		**(33,390)**		2,360
Floating rate				
Term loans	**3.52–6.35**	**3,013**	4.52–7.35	3,449
Total net borrowings		**(30,377)**		5,809
Net fixed rate borrowings as a percentage of total net borrowings		**N/A**		41%

36. FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Interest rate risk *(Continued)*

Sensitivity analysis for interest rate risk

The following table illustrates the approximate change in the Group's profit for the year and retained profits in response to reasonably possible changes in interest rates at the end of each of the following year with all other variables held constant:

	2020 **RM'000**	2019 RM'000
Increase by 0.5%	**(11)**	(13)
Decrease by 0.5%	**11**	13

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of each reporting period and had been applied to the exposure to interest rate risk for the borrowings in existence at that date. The 50 basis point increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next annual reporting date. The analysis is performed on the same basis for 2019.

(b) Liquidity risk

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. The liquidity risk management strategy adopted by the Group is to measure and forecast its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the Group's activities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's liabilities at the end of each reporting period based on contractual undiscounted repayment obligations (including interest payments computed using contractual rates, or if floating, based on rates current at the reporting date) and the earliest date the Group can be required to pay.

36. FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Liquidity risk *(Continued)*

	Carrying amount RM'000	Total contractual undiscounted cash flows RM'000	Within 1 year or repayable on demand RM'000	More than 1 year but less than 2 years RM'000	More than 2 years but less than 5 years RM'000	More than 5 years RM'000
30 June 2020						
Trade and other payables	34,348	34,348	34,348	–	–	–
Lease liabilities	6,235	6,772	3,374	1,912	1,486	–
Bank borrowings	3,013	3,639	652	652	1,508	827
	43,596	44,759	38,374	2,564	2,994	827
Performance guarantees issued (Note 33)	–	23,145	23,145	–	–	–

	Carrying amount RM'000	Total contractual undiscounted cash flows RM'000	Within 1 year or repayable on demand RM'000	More than 1 year but less than 2 years RM'000	More than 2 years but less than 5 years RM'000	More than 5 years RM'000
30 June 2019						
Trade and other payables	60,156	60,156	60,156	–	–	–
Amounts due to directors	91	91	91	–	–	–
Obligations under finance leases	6,858	7,447	3,099	2,254	2,094	–
Bank borrowings	6,580	7,585	3,783	652	1,879	1,271
	73,685	75,279	67,129	2,906	3,973	1,271
Performance guarantees issued (Note 33)	–	33,971	33,971	–	–	–

36. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash deposits at banks. The carrying amounts of trade and other receivables, contract assets, bank balances and short term bank deposits represent the Group's maximum exposure to credit risk in relation to financial assets.

The credit risk on liquid funds (i.e. cash and cash equivalents) is minimal as such amounts are placed in banks and financial institutions with good reputation.

At the end of each reporting period, the Group has significant concentration of credit risk as 41.6% (2019: 64.7%) and 86.4% (2019: 99.9%) of the Group's total trade receivables was due from the Group's top trade receivable and the top five trade receivables, respectively. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group always measures the loss allowance for trade receivables and contract assets at an amount equal to lifetime ECLs. The ECLs on trade receivables and contract assets are estimated using a provision matrix by reference to past default experience of the debtor, current market condition in relation to each debtor's exposure. The ECLs also incorporate forward-looking information with reference to general macroeconomic conditions that may affect the ability of the debtors to settle receivables.

36. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

The Group recognises lifetime ECLs for trade receivables and contract assets based on individually significant customer or the ageing of customers collectively that are not individually significant as follows:

As at 30 June 2020	**Weighted average lifetime ECL rate**	**Gross carrying amount RM'000**	**Lifetime ECLs RM'000**	**Net carrying amount RM'000**	**Credit impaired**
Trade receivables					
Collective assessment					
Not past due	**0.52%**	**2,131**	**(11)**	**2,120**	**No**
Past due					
1–90 days	**1.04%**	**–**	**–**	**–**	**N/A**
91–180 days	**2.20%**	**13**	**(1)**	**12**	**No**
Individual assessment	**2.59%**	**13,539**	**(350)**	**13,189**	**Yes**
		15,683	**(362)**	**15,321**	
Contract assets					
Collective assessment	**0.53%**	**49,921**	**(265)**	**49,656**	**No**

As at 30 June 2019	Weighted average lifetime ECL rate	Gross carrying amount RM'000	Lifetime ECLs RM'000	Net carrying amount RM'000	Credit impaired
Trade receivables					
Collective assessment					
Not past due	0.33%	–	–	–	N/A
Past due					
1–90 days	0.63%	44	–	44	No
91–180 days	1.50%	–	–	–	N/A
Individual assessment	0.50%	37,681	(189)	37,492	Yes
		37,725	(189)	37,536	

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2020

36. FINANCIAL RISK MANAGEMENT *(Continued)*

(c) Credit risk *(Continued)*

As at 30 June 2020 and 2019, the loss allowance provision in respect of trade receivables and contract assets reconciles to the opening loss allowance provision as follows:

	Not credit-impaired Collectively assessed RM'000	Credit-impaired Individually assessed RM'000	Total RM'000
Balance as at 1 July 2018	4	184	188
Provision for loss allowance recognised in profit or loss	–	5	5
Reversal of impairment loss	(4)	–	(4)
Balance as at 30 June 2019	–	189	189
Balance as at 1 July 2019	**–**	**189**	**189**
Provision for loss allowance recognised in profit or loss	**277**	**161**	**438**
Balance as at 30 June 2020	**277**	**350**	**627**

(d) Currency risk

The Group is exposed to foreign currency risk primarily through transactions that are denominated in currencies other than the functional currency of each of the Group's entities. The currency relevant to this risk is primarily USD.

The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

36. FINANCIAL RISK MANAGEMENT *(Continued)*

(d) Currency risk *(Continued)*

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which it relates.

	2020	2019
	RM'000	RM'000
Assets denominated in USD		
Cash and cash equivalents	**21,400**	–

If the exchange rate of USD against RM had appreciated/depreciated by 5%, profit for the year would increase/decrease by RM1,070,000 (2019: Nil), respectively.

(e) Fair value risk

As at 30 June 2020, the Group is exposed to equity price changes arising from equity instruments measured at fair value through profit or loss. The Group's listed investments are listed on The Stock Exchange of Hong Kong Limited. Decisions to buy and sell trading securities are based on daily monitoring of the performance of individual securities compared to that of the Hang Seng Index and other industry indicators. To manage its fair value risk arising from the equity securities, the Group maintains a portfolio of diversified investments. Also, the Group has appointed an asset manager to monitor the fair value risk and will consider hedging of the risk if necessary. If the fair value of the equity instruments increase/decrease by 3% as at 30 June 2020, profit for the year would increase/decrease by RM170,000 respectively.

As at 30 June 2019, the Group is also exposed to fair value risk resulting from fair value change of dividend payable to the Controlling Shareholders as set out in Note 15. If the fair value of dividend payable which is measured at the fair value of the Distributed Lands increase/decrease by 3% as at 30 June 2019, the Group's equity as at 30 June 2019 would decrease/increase by RM168,000 respectively.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY

The carrying values of the Group's financial assets and financial liabilities as recognised at 30 June 2020 and 2019 are categorised as follows:

	As at 30 June	
	2020	2019
	RM'000	RM'000
Financial assets		
Financial assets at amortised cost		
Trade receivables, other receivables and deposits	**16,015**	38,299
Pledged time deposits and bank balances	**39,625**	7,629
Cash and cash equivalents	**47,315**	12,612
Financial assets at fair value		
Listed shares in Hong Kong	**5,665**	–
Financial liabilities		
Financial liabilities at amortised cost		
Trade and other payables	**34,348**	60,156
Lease liabilities	**6,235**	–
Obligations under finance leases	**–**	6,858
Bank borrowings	**3,013**	6,580
Amounts due to directors	**–**	91
Financial liabilities at fair value		
Dividend payable	**–**	5,600

(a) Financial instruments not measured at fair value

The carrying values of the Group's financial assets and financial liabilities at amortised cost (including current portion of lease liabilities/obligations under finance leases and bank borrowings) listed above approximate their respective fair values due to their short term nature.

The fair values of the non-current portion of the lease liabilities/obligations under finance leases and bank borrowings have been calculated by discounting the expected future cash flows using rates currently available for borrowings with similar terms, credit risk and remaining maturities. The Group's own non-performance risk for lease liabilities/obligations under finance leases and bank borrowings as at 30 June 2020 and 2019 was assessed to be insignificant. The carrying values of the non-current portion of lease liabilities/obligations under finance leases and bank borrowings also approximate their fair values as at 30 June 2020 and 2019.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Financial instruments measured at fair value

As at 30 June 2020, the fair value of listed shares in Hong Kong are determined with reference to quoted market prices.

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the relationship between key observable inputs and fair value are set out below.

Information about level 3 fair value measurement

As at 30 June 2019, the fair value of dividend payable represents the fair value of the Distributed Lands as at the reporting date. The fair value of the Distributed Lands has been arrived at on market value basis by Grant Sherman Appraisal Limited, an independent property valuer, who holds a recognised and relevant professional qualification and has recent experience in the location and category of the Distributed Lands being valued. The fair value of Distributed Lands is a level 3 recurring fair value measurement.

Valuation technique	Unobservable input	Range
Market comparison approach	Discount on location of the Distributed Lands	8.2% to 10.9%

The fair value of Distributed Lands is determined using market comparison approach by comparing the subject asset with identical or similar assets for which price information is available, such as a comparison with market transactions in the same, or close similar, type of asset within an appropriate time horizon. The recent transaction prices are adjusted by a discount specific to the quality and location of the Distributed Lands. Higher discount will result in a lower fair value measurement.

The movement during the year ended 30 June 2019 of the level 3 fair value measurement is as follows:

	RM'000
Opening balance at 24 December 2018	5,600
Fair value change	–
Closing balance at 30 June 2019	5,600

The fair value measurement is based on the Distributed Lands' highest and best use, which does not differ from their actual use.

37. SUMMARY OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES BY CATEGORY *(Continued)*

(b) Financial instruments measured at fair value *(Continued)*

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	2020			
	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets at fair value — listed shares in Hong Kong	**5,665**	**–**	**–**	**5,665**

	2019			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets at fair value — dividend payable	–	–	5,600	5,600

There were no transfer between levels in both years. The Group's policy is to recognise transfer between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

There were no change to the valuation techniques in both years.

38. EVENT AFTER THE REPORTING PERIOD

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

39. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 24 September 2020.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results, and of the assets, liabilities of the Group for the last five financial years, as extracted from the published audited consolidated financial statements or the Prospectus is set out below.

RESULTS

	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	**2020 RM'000**
Revenue	33,346	132,658	146,241	194,017	**151,147**
Cost of sales	(24,304)	(105,318)	(114,146)	(152,664)	**(117,115)**
Gross profit	9,042	27,340	32,095	41,353	**34,032**
Other income/(expenses), net	430	485	(143)	408	**5,273**
Administrative expenses	(3,615)	(4,675)	(6,024)	(7,638)	**(16,808)**
Finance costs	(832)	(867)	(1,129)	(1,022)	**(822)**
Listing expenses	–	–	–	(8,226)	**(3,838)**
Profit before income tax expense	5,025	22,283	24,799	24,875	**17,837**
Income tax expense	(1,321)	(5,126)	(6,476)	(8,545)	**(5,692)**
Profit for the year	3,704	17,157	18,323	16,330	**12,145**
Attributable to:					
Owners of the Company	3,704	17,157	18,323	16,330	**12,145**

	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000	**2020 RM'000**
Total assets	42,168	65,687	89,221	148,558	**183,191**
Total liabilities	(31,280)	(37,642)	(42,853)	(80,710)	**(43,596)**
Total equity	10,888	28,045	46,368	67,848	**139,595**