

# TBK & SONS HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 1960

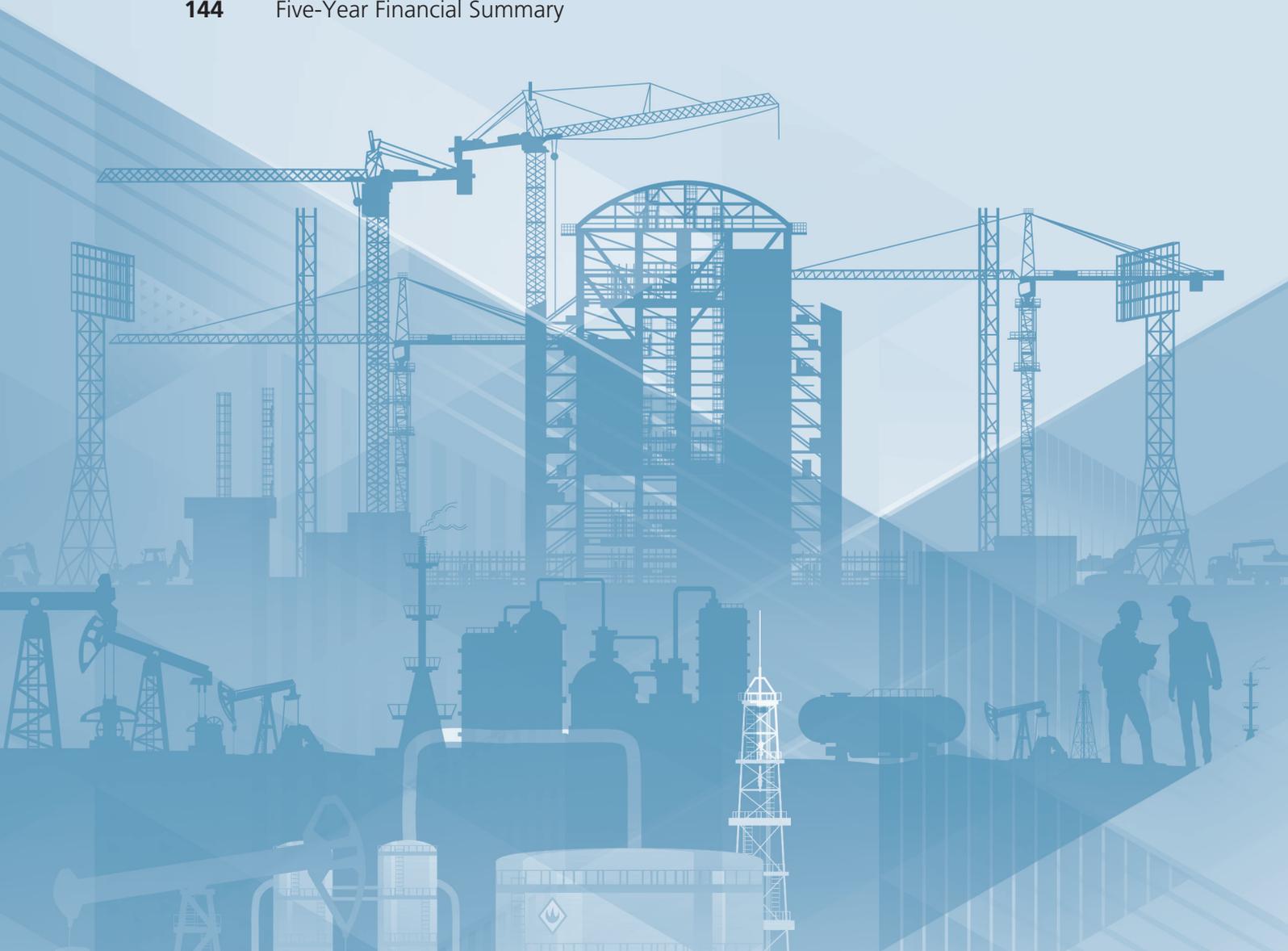


# 2022

ANNUAL REPORT

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# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Mr. Tan Hun Tiong (*Chairman*)

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

Mr. Tang Zhiming

Mr. Chen Da

### Non-executive Director

Ms. Chooi Pey Nee

### Independent Non-executive Directors

Mr. Chu Hoe Tin

Mr. Ng Ying Kit

Mr. Wong Sze Lok

## AUTHORISED REPRESENTATIVES

Mr. Tan Han Peng

Mr. Lam Wing Tai

## AUDIT COMMITTEE

Mr. Chu Hoe Tin (*Chairman*)

Mr. Ng Ying Kit

Mr. Wong Sze Lok

## REMUNERATION COMMITTEE

Mr. Ng Ying Kit (*Chairman*)

Mr. Tan Han Peng

Mr. Wong Sze Lok

## NOMINATION COMMITTEE

Mr. Wong Sze Lok (*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

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## AUDITOR

### BDO Limited

(*Certified Public Accountants and Registered Public Interest Entity Auditor*)

25th Floor, Wing On Centre

111 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](http://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 (collectively the "**Group**"), I am pleased to present the annual results of the Group for the year ended 30 June 2022 ("**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 to 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**").

Since the early 2020, the COVID-19 pandemic swept across the globe and a series of precautionary and control measures have been undertaken by governments across the world including Hong Kong and Malaysia. During the Financial Year under review, Malaysia Government has on 11 October 2021 lifted the interstate and international travel restrictions for residents fully vaccinated against COVID-19, as the country achieved its target of inoculating 90% of its adult population. The Malaysia Prime Minister later announced that Malaysia would enter into the Transition to Endemic Phase beginning 1 April 2022 and reopen its borders.

The Group is a civil and structural works contractor undertaking civil and structural works in the oil and gas industry in Malaysia. In the aftermath of the COVID-19 pandemic in Malaysia, the Group experienced with multiple challenges including lack and deferment of new projects and other oil and gas industry activities, acute labour shortage and intense competition for available contract works in Malaysia, which collectively affected the revenue of the Group's civil and structural works, daily operation and financial results for the Financial Year.

The Group has been spending great effort to explore business opportunities in regions where the outbreak of the COVID-19 pandemic is generally under control. In March 2021, the Group successfully commenced the trading of oil and related products in the People's Republic of China (the "**PRC**"). Since the commencement of the trading of oil and related products, the Group had recorded promising revenue and operating profit. Given the positive performance from the trading of oil and related products, and to further develop business in areas where the outbreak of the pandemic has generally been under control, the Board decided to allocate more resources to (i) develop northern PRC market of the trading of oil and related products; (ii) expand its customer base; and (iii) secure a supply of higher quality oil products.

The Board believes that the trading of oil and related products will be an important step in the expansion of the Group's business, which not only enhance business contacts in the oil industry to bring synergy to the Group's civil and structural works in the oil and gas industry, but also is in line with the Group's strategy to expand its geographical coverage to the PRC, which is expected to benefit the Company and the shareholders of the Company (the "**Shareholders**") as a whole.

# CHAIRMAN'S STATEMENT

On the other hand, due to the lack of capital-intensive projects in the oil and gas industry in Malaysia as well as fierce competition for contracts between the Company and its competitors, it is the strategy of the Company to seek opportunities to diversify its income stream in the interests of the Company and the Shareholders as a whole. The Company has sought to explore opportunities in the civil and structural works projects in the PRC in order to assist the Company to diversify its business risks and to broaden income channel. In April 2022, the Group completed the acquisition of 75% equity interests (the "**Acquisition**") of 青島鑫弘耀建設科技有限公司 (Qingdao Xinhongyao Construction Technology Company Limited) ("**Xinhongyao Construction**") which was established in the PRC and it is currently carrying on business of construction and renovation works projects in the PRC. According to the acquisition agreement, the Group should inject the corresponding registered capital of RMB5,130,000 to Xinhongyao Construction, representing 75% of the amount of registered capital proportionate to the amount paid by the vendor, (i.e. RMB1,710,000), at the date of the Acquisition, within one year after the completion of the Acquisition.

The Acquisition will provide new momentum to the Group's future development through diversification of its business. Further, given that Xinhongyao Construction has already been established, the Directors are of the view that the Acquisition would enable the Group to commence its civil and structural works business in a more time efficient manner than establishing a new company afresh.

## BUSINESS REVIEW

### Civil and Structural Works in Malaysia

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.

In light of the COVID-19 pandemic, the Group's operations were significantly disrupted by postponement in contract awards, deferment of new projects and decline in other oil and gas industry activities, labour shortage and intense competition for available contract works. As a result, the Group's revenue from civil and structural works decreased by approximately 44.4% from approximately RM82.4 million for the year ended 30 June 2021 to approximately RM45.8 million for the Financial Year.

# CHAIRMAN'S STATEMENT

## Civil and Structural Works in the PRC

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

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

During the Financial Year under review, the Group's revenue from civil and structural works in the PRC was approximately RM14.2 million.

## Trading of Oil and Related Products in the PRC

The Group started the trading of oil and related products in the PRC in March 2021. Taking advantage from volatility of oil prices in the international market and the continued recovery of China's economy, which has provided ongoing business opportunities in trading of oil and related products for the Group. During the Financial Year under review, the Group's revenue from trading of oil and related products was approximately RM765.9 million (2021: RM106.7 million).

## Profit for the Financial Year

As a result of the foregoing, the Group's profit attributable to owners was approximately RM10.4 million for the Financial Year (2021: RM0.6 million) and the earnings per share was approximately RM1.04 sen (2021: RM0.06 sen).

The significant improvement in the Group's results achieved for the Financial Year was primarily attributable to the revenue derived from the trading of oil and related products in the PRC which had increased significantly by approximately 6 times from approximately RM106.7 million for the year ended 30 June 2021 to approximately RM765.9 million for the Financial Year and the gross profit increased by approximately RM28.1 million from approximately RM0.7 million for the year ended 30 June 2021 to approximately RM28.8 million for the Financial Year. This was notwithstanding that the revenue from the civil and structural works in Malaysia decreased by approximately 44.4% from approximately RM82.4 million for the year ended 30 June 2021 to approximately RM45.8 million for the Financial Year and the gross profit decreased by approximately RM11.4 million from approximately RM12.6 million for the year ended 30 June 2021 to approximately RM1.2 million for the Financial Year.

# CHAIRMAN'S STATEMENT

## OUTLOOK

The World Bank in its Malaysia Economy Monitor June 2022 indicated that Malaysia's economy is on an upwards track to recovery from the pandemic following a successful vaccination drive and the full withdrawal of movement restrictions. The economy is projected to expand 5.5 percent in 2022, driven mainly by a strong rebound in consumption. While there is a surge in growth, external headwinds and global uncertainties pose a challenge and add to the country's downside risks. Global growth is expected to decelerate to 3.2 percent in 2022 (2021e: 5.7 percent) due to spill-over from the war in Ukraine, fading pent-up demand, and reduced macroeconomic support amid high inflation. Regional growth is projected to decelerate to 5 percent in 2022 (2021e: 7.2 percent), with slowing activity in China impacting the rest of the region.

On 26 July 2022, the International Monetary Fund (IMF) has revised its year-on-year economic growth forecast for Malaysia to 5.1 per cent in 2022 from 5.6 per cent previously, according to the IMF's latest World Economic Outlook Update July 2022. The IMF's latest forecast is lower than Bank Negara Malaysia's projected gross domestic product (GDP) growth range of 5.3 per cent to 6.3 per cent for 2022. The IMF indicated that the risks to the global economic outlook are overwhelmingly tilted to the downside after taking into consideration risks arising from the Russia-Ukraine war, inflation globally, the tight labour market and monetary policies, potential debt distress in emerging markets, the property sector crisis in China and geopolitical fragmentation, which could impede global trade and cooperation.

Bank Negara Malaysia reported on 12 August 2022 that the Malaysian economy registered a stronger growth of 8.9% in the second quarter of 2022 (1Q 2022: 5.0%). While the GDP was lifted to some extent by the low base from the Full Movement Control Order (FMCO) in June 2021, growth in April and May 2022 was particularly robust. Domestic demand continued to strengthen, underpinned by the steady recovery in labour market conditions and ongoing policy support. The higher growth was also reflective of normalising economic activity as the country moved towards endemicity and reopened international borders. Exports remain supported by strong demand for E&E products. By sector, the services and manufacturing sectors continued to drive growth. On a quarter-on-quarter seasonally-adjusted basis, the economy increased by 3.5% (1Q 2022: 3.8%).

At the time of this report, although it is almost back to "old normal" in Malaysia as all travel restrictions have been lifted, the economy headwind remains strong due to geo-political conflicts, unusual weather pattern across the globe, creeping inflation and weakening of Malaysian currency and pending general election. Against this backdrop, we expect the current financial year 2023 to be equally challenging for the Group due to the scarcity of new capital intensive projects and other oil and gas industry activities, tight labour supply and intense competition for available contract works. In this regard, the Group is firmly establishing its foothold in the industry while actively exploring opportunities in both East and West Malaysia, as well as in neighbouring countries.

# CHAIRMAN'S STATEMENT

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

In addition, we have achieved significant achievements since the establishment of various subsidiaries in the trading of oil and related products and the civil and structural works in the PRC.

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

1. Steady increase in revenue in South China market by deepening and consolidating the market.
2. Explore the northern PRC market and consider the Shandong market as the base to enter the northern PRC market.
3. Actively carry out international trading business based on Union Top Energy (Hong Kong) Limited, in order to seek the further development of domestic oil trading business driven by international trade as soon as possible.
4. By strengthening the investment of working capital, the increase of working capital will greatly promote the smooth operation of oil trade and enable us to have stronger bargaining power and business operation ability.
5. Strictly standardise enterprise management and promote the use of Enterprise Resource Planning System, thus improving management efficiency and effectively avoiding risks.
6. Strengthen the investment in international trade to ensure a stable source of overseas oil, with the main sales targets being large domestic traders and petroleum refining enterprises.
7. For the domestic segment of oil trading, by coordinating the development of the north-southern market and increasing the number of professional staff to join, so as to master the market more effectively, with the main sales targets being domestic petroleum refining and chemical enterprises. According to the actual needs of customers, on the premise of ensuring the smooth flow of funds, we will realize the docking of domestic trading business and international trading business as soon as possible. At the same time, it extends from the raw oil market to the refined oil market, and develops sales channels for refined oil.
8. By strengthening the in-depth cooperation with domestic petroleum refining enterprises, participating in the cooperation of financial assets of domestic petroleum refining enterprises, obtaining the corresponding asset packages legally and compliantly, improving the strength of the Group's assets and laying the foundation for further improvement of financial operations.

# CHAIRMAN'S STATEMENT

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

We are currently focusing on general construction and renovation projects for our operations.

1. Stabilize and strengthen our position in the existing renovation project market, improve our existing engineering technology, and ensure stable operating income.
2. Acquire the qualification of petroleum projects, establish the construction team of petroleum projects, and develop the market of petroleum projects.

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

## 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 contributions to the development of the Group.

**Tan Hun Tiong**

*Chairman*

Hong Kong, 27 September 2022

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Civil and Structural Works in Malaysia

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 2022 and 2021:

	2022 approximately		2021 approximately	
	RM'000	%	RM'000	%
Site preparation works projects	–	–	–	–
Civil works projects	43,219	94.4	63,467	77.1
Building works projects	2,572	5.6	18,898	22.9
	<b>45,791</b>	<b>100.0</b>	82,365	100.0

In light of the COVID-19 pandemic, the Group's operations were significantly disrupted by postponement in contract awards, deferment of new projects and decline in other oil and gas industry activities, labour shortage and intense competition for available contract works. As a result, the Group's revenue from civil and structural works decreased by approximately 44.4% from approximately RM82.4 million for the year ended 30 June 2021 to approximately RM45.8 million for the Financial Year.

#### *Site preparation works projects*

During the Financial Year, the Group did not record any revenue from site preparation works projects (2021: Nil) and it had not procured any new project during the Financial Year.

#### *Civil works projects*

Revenue from civil works projects decreased from approximately RM63.5 million for the year ended 30 June 2021 to approximately RM43.2 million for the Financial Year, representing a decrease of approximately 31.9%.

The decrease was mainly attributable to the drop in revenue for ongoing Project 1 (approximately RM1.8 million) which was near completion during the Financial Year and 5 projects which were completed during the Financial Year i.e. Project 11 (approximately RM0.2 million), Project 26 (approximately RM0.7 million), Project 27 (approximately RM0.4 million), Project 31 (approximately RM7.6 million) and Project 32 (approximately RM3.0 million); and 4 projects which were completed during the financial year ended 30 June 2021 i.e. Project 13 (approximately RM13.5 million), Project 20 (approximately RM7.7 million), Project 22 (approximately RM1.2 million), and Project 25 (approximately RM5.4 million).

The decrease was partially offset by the increase in revenue from 2 ongoing projects i.e. Project 30 (approximately RM6.9 million), Project 33 (approximately RM5.8 million); and 6 new projects commenced during the Financial Year i.e. Project 39 to Project 44 (approximately RM8.2 million); and 3 projects which were completed during the Financial Year i.e. Project 28 (approximately RM0.7 million), Project 37 (approximately RM0.7 million) and Project 38 (approximately RM0.5 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Building works projects*

Revenue from building works projects decreased from approximately RM18.9 million for the year ended 30 June 2021 to approximately RM2.6 million for the Financial Year, representing a decrease of approximately 86.4%.

The decrease was mainly attributable to Project 19 (approximately RM4.9 million), Project 23 (approximately RM0.3 million), Project 24 (approximately RM9.8 million) and Project 36 (approximately RM0.3 million) which were completed during the Financial Year, and Project 4 (approximately RM1.0 million) which was completed during the financial year ended 30 June 2021.

## *Projects on hand*

As at 30 June 2022, the Group had 11 (2021: 13) projects on hand in Malaysia (including projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced). A summary of the projects on hand is set out below:

Project	Particulars and location	Type of works	Pengerang Integrated Petroleum Complex ("PIPC")/Non-PIPC projects	Commencement date	Expected Completion date
Project 1	A refinery at Port Dickson	Civil works	Non-PIPC	May 2013	August 2023
Project 30	A refinery at Pengerang	Civil works	PIPC	December 2020	December 2023
Project 33	Solar-farm facilities at Johor	Civil works	Non-PIPC	June 2021	October 2022
Project 39	A refinery at Port Dickson	Civil works	Non-PIPC	January 2022	September 2022
Project 40	A refinery at Pengerang	Civil works	PIPC	January 2022	November 2022
Project 41	A refinery at Pengerang	Civil works	PIPC	January 2022	December 2024
Project 42	A refinery at Port Dickson	Civil works	Non-PIPC	February 2022	December 2022
Project 43	An oil storage in Putrajaya	Civil works	Non-PIPC	January 2022	July 2022
Project 44	A sugar refinery at Johor	Civil works	Non-PIPC	April 2022	September 2022
Project 45	A melamine plant in Kedah	Civil works	Non-PIPC	August 2022	February 2023
Project 46	A refinery at Pengerang	Civil works	PIPC	September 2022	December 2023

## **Civil and Structural Works in the PRC**

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

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

During the Financial Year under review, the Group's revenue from civil and structural works in the PRC was approximately RM14.2 million.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Projects on hand*

As at 30 June 2022, the Group had 5 projects on hand in the PRC (including projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced).

<b>Project</b>	<b>Particulars and location</b>	<b>Type of works</b>	<b>Commencement date</b>	<b>Expected Completion date</b>
Project 1	A senior high school in Huangdao District, Qingdao City	Construction works	September 2021	September 2022
Project 2	A school in Zhaoyuan City, Shandong Province	Construction works	March 2022	September 2022
Project 3	Civil maintenance works in Huangdao District, Qingdao City	Construction works	December 2021	August 2022
Project 4	Heat preservation works in Laoshan District, Qingdao City	Construction works	November 2021	August 2022
Project 5	Sino-German Ecopark Qingdao	Renovation works	May 2022	September 2022

## **Trading of Oil and Related Products in the PRC**

The Group started the trading of oil and related products in the PRC in March 2021. Taking advantage from volatility of oil prices in the international market and the continued recovery of China's economy, which has provided ongoing business opportunities in trading of oil and related products for the Group. During the Financial Year under review, the Group's revenue from trading of oil and related products was approximately RM765.9 million (2021: RM106.7 million).

## **FINANCIAL REVIEW**

### **Civil and Structural Works in Malaysia**

#### *Revenue*

In light of the COVID-19 pandemic, the Group's operations were significantly disrupted by postponement in contract awards, deferment of new projects and decline in other oil and gas industry activities, labour shortage and intense competition for available contract works. As a result, the Group's revenue from civil and structural works decreased by approximately 44.4% from approximately RM82.4 million for the year ended 30 June 2021 to approximately RM45.8 million for the Financial Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Cost of sales

The Group's cost of sales from civil and structural works in Malaysia 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 year ended 30 June 2022 and 2021:

	2022		2021	
	RM'000	approximately %	RM'000	approximately %
Direct materials	10,360	23.3	13,397	19.2
Subcontracting charges	14,347	32.2	32,438	46.5
Direct labour	11,484	25.8	13,786	19.8
Rental of machinery and equipment	1,076	2.4	1,108	1.6
Depreciation	2,511	5.6	3,213	4.6
Other costs	4,779	10.7	5,793	8.3
<b>Total</b>	<b>44,557</b>	<b>100.0</b>	<b>69,735</b>	<b>100.0</b>

The Group's cost of sales from civil and structural works in Malaysia during the Financial Year mainly comprised:

- 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;
- subcontracting charges, which represent fees and charges paid to or payable to subcontractors who provide civil works, site preparation works and/or building works at project sites;
- direct labour, which represents remuneration to employees directly attributable to the projects; and
- other costs, which include various miscellaneous expenses such as transportation fee, safety consultancy fee and insurance expenses for the Group's projects.

The Group's cost of sales from civil and structural works in Malaysia decreased from approximately RM69.7 million for the year ended 30 June 2021 to approximately RM44.6 million for the Financial Year, representing a decrease of approximately 36.1% 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Gross profit and gross profit margin*

In line with the decrease in revenue from civil and structural works in Malaysia, the Group's gross profit from civil and structural works decreased from approximately RM12.6 million for the year ended 30 June 2021 to RM1.2 million for the Financial Year, representing a decrease of approximately 90.2%. With combined effects of revenue and costs of sales from civil and structural works in Malaysia, the Group's gross profit margin from civil and structural works decreased from approximately 15.3% to 2.7% for the year ended 30 June 2021 and 2022, respectively.

## **Civil and Structural Works in the PRC**

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

## *Revenue*

During the Financial Year under review, the Group's revenue from the civil and structural works in the PRC was approximately RM14.2 million.

## *Cost of sales*

The Group's cost of sales from the civil and structural works in the PRC mainly comprises cost of direct materials, subcontracting fee, direct labour and other direct costs. During the Financial Year under review, the Group's cost of sales from the civil and structural works in the PRC was approximately RM13.3 million.

## *Gross profit and gross profit margin*

The Group's gross profit from the civil and structural works in the PRC was approximately RM0.9 million for the Financial Year. With combined effects of revenue and costs of sales from the civil and structural works in the PRC, the Group's gross profit margin from civil and structural works in the PRC was approximately 6.1%.

## **Trading of Oil and Related Products in the PRC**

### *Revenue*

The Group started the trading of oil and related products in the PRC in March 2021. Taking advantage from volatility of oil prices in the international market and the continued recovery of China's economy, which has provided ongoing business opportunities in trading of oil and related products for the Group. During the Financial Year under review, the Group's revenue from trading of oil and related products was approximately RM765.9 million (2021: RM106.7 million).

### *Cost of sales*

The Group's cost of sales from trading of oil and related products in the PRC mainly comprises cost of direct materials, storage fee and transportation fee. During the Financial Year under review, the Group's cost of sales from trading of oil and related products in the PRC was approximately RM737.1 million (2021: RM106.0 million).

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Gross profit and gross profit margin*

The Group's gross profit from the trading of oil and related products in the PRC was approximately RM28.8 million for the Financial Year (2021: RM0.7 million). With combined effects of revenue and costs of sales from trading of oil and related products, the Group's gross profit margin from trading of oil and related products was 3.8% (2021: 0.6%).

## **Selling and Distribution Expenses**

The Group's selling and distribution expenses comprised mainly salary and benefits of our sales and marketing staff, entertainment and promotional expenses, travelling and transport expenses for a new team of trading of oil and related products in the PRC. During the Financial Year, the selling and distribution expenses were approximately RM1.3 million (2021: Nil).

## **Administrative Expenses**

The Group's administrative expenses increased from approximately RM13.1 million for the year ended 30 June 2021 to approximately RM17.7 million for the Financial Year. Such increase was mainly attributable to (i) the increase in staff costs, short-term lease expenses, depreciation expenses and other administrative expenses for new operation in the PRC, and (ii) the increase in impairment loss on trade receivables, contract assets and other receivables. The administrative expenses of the Group primarily consist of depreciation, staff costs, repair and maintenance and legal and professional fees and other charges.

## **Finance Costs**

Finance costs represented interest on bank overdrafts, term loans, lease liabilities and banker's acceptances. For the years ended 30 June 2022 and 2021, the Group recorded finance costs of approximately RM0.5 million and RM0.5 million, respectively.

## **Income Tax Expense**

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

For the years ended 30 June 2022 and 2021, the Malaysian corporate income tax of Tan Bock Kwee & Sons Sdn. Bhd. ("**TBK**") and Prestasi Senadi Sdn. Bhd. ("**Prestasi Senadi**") is calculated at the statutory tax rate of 24%.

The provision for PRC current income tax for 聯高能源(山東)有限公司 (Liangao Energy (Shandong) Company Limited) is based on a statutory rate of 25% of the assessable profit for the year ended 30 June 2022 as determined in accordance with the relevant income tax rules and regulations of the PRC.

Pursuant to the Notice on the Policies of Income Tax Preferences for Enterprises in Hainan Free Trade Port (Cai Shui [2020] No. 31) jointly issued by the Department of Finance of Hainan Province and the Hainan Province Tax Service Bureau of State Taxation Administration, the Group's subsidiary, 港聯高能源(海南)有限公司 (Gangliangao Energy (Hainan) Company Limited) ("**Gangliangao Hainan**"), is subject to enterprise income tax at the preferential rate of 15% from 1 January 2020 to 31 December 2024.

# MANAGEMENT DISCUSSION AND ANALYSIS

Other than the above-mentioned subsidiaries, certain PRC subsidiaries (2021: Gangliangao Hainan) are eligible as a small low-profit enterprise and is subject to the preferential tax treatment for the year ended 30 June 2022. The portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1.0 million shall be computed at a reduced rate of 12.5% of taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1.0 million but does not exceed RMB3.0 million shall be computed at a reduced rate of 25% of taxable income amount, and be subject to enterprise income tax at 20% tax rate.

No Hong Kong profits tax has been provided as the Group has no assessable profit for the years ended 30 June 2022 and 2021.

The Group's income tax expense was approximately RM3.0 million for the Financial Year (2021: RM1.6 million).

## Profit and Earnings per Share

As a result of the foregoing, the Group's profit attributable to owners for the Financial Year was approximately RM10.4 million (2021: RM0.6 million) and the earnings per share for the Financial Year was approximately RM1.04 sen (2021: RM0.06 sen).

## Key Financial Ratio

	Note	As at/for the year ended 30 June	
		2022	2021
Current ratio (times)	1	2.6	6.4
Quick ratio (times)	2	2.6	6.4
Gearing ratio (%)	3	7.3	5.8
Debt to equity (%)	4	N/A	N/A
Return on equity (%)	5	6.9	0.4
Return on total assets (%)	6	4.4	0.4
Interest coverage (times)	7	28.2	5.5

Notes:

1. Current ratio is total current assets divided by total current liabilities.
2. Quick ratio is total current assets less inventories divided by total current liabilities.
3. Gearing ratio is total debt (i.e. sum of lease liabilities and borrowings) divided by total equity and multiplied by 100%.
4. Debt to equity ratio is total debt (i.e. sum of lease liabilities and borrowings) 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 total 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Liquidity, Financial Resources and Capital Structure

As at 30 June 2022,

- 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 RM6.3 million (2021: RM14.6 million) and approximately RM74.2 million (2021: RM72.6 million), respectively, most of which were denominated in Hong Kong dollar (HK\$), United States Dollar (USD), Malaysian Ringgit (RM) and Renminbi (RMB);
- c. the Group had lease liabilities and bank borrowings of approximately RM7.3 million (2021: RM3.1 million) and RM3.8 million (2021: RM4.9 million), respectively. All of the lease liabilities and bank borrowings were denominated in RM and RMB; and
- d. the Group's total equity attributable to owners of the Company was approximately RM151.6 million (2021: RM138.7 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 (2021: Nil).

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

Save as disclosed in this annual report, 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 2022 and 2021, the Group had no significant capital commitments.

## Pledge of Assets

Details of pledge of assets of the Group as at 30 June 2022 and 2021 are set out in notes 15, 25 and 38 to the consolidated financial statements.

# MANAGEMENT DISCUSSION AND ANALYSIS

## Future Plan for Material Investments and Capital Assets

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

## Contingent Liabilities

As at 30 June 2022, the Group had no significant contingent liabilities or outstanding litigation (2021: Nil).

## Pledge of Shares by the Controlling Shareholder

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

## 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 2021 and 2022, the revenue generated from the Group’s top five customers accounted for approximately 80.9% and 91.4% of its total revenue respectively, while the revenue generated from the largest customer accounted for approximately 56.4% and 46.9% 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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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.

# MANAGEMENT DISCUSSION AND ANALYSIS

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

## Employees and Remuneration Policy

As at 30 June 2022, the Group had 298 (2021: 375) employees (including foreign labour). The Group's employees are invaluable assets of the Group and it is dedicated to managing human capital. The Directors believe that continuous staff training and development will not only improve the Group's staff's performance, but will also enhance loyalty and staff morale. For its new recruits, the Group offers induction training courses which cover practical and technical aspects of their works, together with its corporate culture and core value. Remuneration packages the Group's offer to its staff includes basic salary, discretionary bonuses and allowance. For the Financial Year, the Group's employee cost, including Directors' emoluments, were approximately RM20.3 million (2021: RM20.8 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 and the Company's announcement in relation to change in use of proceeds dated 31 January 2022 (the "**Announcement**"), the business objectives and strategies of the Group are (i) to reserve more capital to satisfy the Group's potential customers' requirement for performance bond; (ii) to expand the Group's workforce; (iii) to acquire machinery; (iv) to finance for the upfront expenditures of new projects; (v) to acquire business; (vi) to set aside for working capital purpose; (vii) to expand and develop the trading of oil and related products (the "**Oil Trading Business**") and (viii) future investment opportunities in project(s) including but not limited to petrochemical, mineral resources, natural resources, financial investment and oil logistics.

An analysis comparing the future plans and use of proceeds contained in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 June 2022 (the "**Relevant Period**") is set out below:

- |    |  |   |   |
|----|--|---|---|
| i. | To reserve more capital to satisfy the Group's potential customers' requirement for performance bond | — | To purchase performance bond as required for any new project  |
| ii | To expand the Group's workforce  | — | To carry out recruitment including project director, project manager, construction manager, project control manager, interface coordinator, quality assurance engineer, environmental manager, quality control head, quality control site manager, health, safety, security and environment head, health, safety, security and environment site manager |
|    |  | — | Additional staff costs for retaining the aforesaid additional staff   |

# MANAGEMENT DISCUSSION AND ANALYSIS

- iii To acquire machinery — To acquire 2 cranes, 3 excavators, dumpers, low loader, 2 roller compactors, water truck, arm roll lorry, micro-bus, compressor, bar benders/cutters, towel lighting, generator
- iv To finance for the upfront expenditures of new projects — To pay for the upfront costs of the Group's projects including startup costs such as subcontracting charges for work done by subcontractors, material costs and direct labour costs
- v To acquire business — To acquire engineering contractors which have Bumiputera ownership
- vi To set aside for working capital purpose — To set aside, together with internal resources of the Group, for general working capital purpose
- vii To expand and develop the Oil Trading Business
  - To develop northern PRC market of the Oil Trading Business
  - To expand its customer base
  - To secure a supply of higher quality oil products
- viii Future investment opportunities — To pursue future investment opportunities in project(s) including but not limited to petrochemical, mineral resources, natural resources, financial investment and oil logistics

# MANAGEMENT DISCUSSION AND ANALYSIS

## Use of Proceeds

The total net proceeds from the Share Offer received by the Company after deducting underwriting fees and other related listing expenses were approximately HK\$85.0 million (equivalent to RM45.0 million) (the “**Net Proceeds**”). As at 30 June 2022, all of the unutilised Net Proceeds (the “**Unutilised Net Proceeds**”) were deposited in the licensed bank in Hong Kong, Malaysia or the PRC. During the Relevant Period, the Net Proceeds has been applied as follows:

		Original allocation of the Net Proceeds disclosed in the Prospectus and the 2019 Annual Report	Utilised amount of the Net Proceeds up to 30 June 2021	Unutilised Net Proceeds brought forward from 30 June 2021	Revised allocation of the Unutilised Net Proceeds disclosed in the Announcement	Utilised amount of Net Proceeds during the Financial Year	Unutilised Net Proceeds as at 30 June 2022
		HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million	HK\$'million
i	To reserve more capital to satisfy the Group's potential customers' requirement for performance bond	8.9	–	8.9	–	–	–
ii	To expand the Group's workforce	13.4	–	13.4	–	–	–
iii	To acquire machinery	17.8	–	17.8	–	–	–
iv	To finance for the upfront expenditures of new projects	26.7	5.1	21.6	13.0	–	13.0
v	To acquire business	13.4	–	13.4	–	–	–
vi	To set aside for working capital purpose	4.8	4.8	–	12.1	5.0	7.1
vii	To expand and develop the Oil Trading Business	–	–	–	40.0	3.1	36.9
viii	Future investment opportunities	–	–	–	10.0	4.2	5.8
		85.0	9.9	75.1	75.1	12.3	62.8

The Unutilised Net Proceeds is expected to be fully utilised within 12 months from the date of the Announcement (i.e. 31 January 2023). Such expected timeline is based on the estimation made by the Group which might be subject to changes in accordance with the change in market conditions from time to time. For details of the change in use of proceeds, please refer to the Announcement.

# DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Tan Hun Tiong** (“**Mr. HT Tan**”), aged 66, 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 46 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 57, 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 the Remuneration Committee and the 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 26 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

**Mr. Tang Zhiming** (“Mr. Tang”), aged 49, was appointed as an executive Director on 4 February 2021. He is also a director of certain subsidiaries of the Group. Mr. Tang has over ten years of experience in the oil product trading business. He is also a director and general manager of Foundation International Resources Limited (匯基國際資源有限公司) since June 2011, where he is mainly responsible for non-ferrous metal mining and oil business in West Africa. Mr. Tang was a director and a general manager of Shenzhen Qianhai Xianglong Petrochemical Company Limited\* (深圳前海祥龍石油化工有限公司) from December 2016 to May 2021, where he was mainly responsible for the trading of crude oil, diluted asphalt, refined oil and petroleum products. Mr. Tang worked as a director and general manager of Harvest Resources International Limited (利泰豐資源國際有限公司) from August 2011 to December 2016, where he was mainly responsible for mining investment and development business in West Africa. He worked as a general manager of Lian Zhou Shi Qing He Mineral Processing Company Limited\* (連州市清和選礦有限公司) from August 2008 to May 2011, where he was mainly responsible for mining, processing and trading of iron ore, lead-zinc ore and other non-ferrous metal minerals.

Mr. Tang completed his secondary education at Guangdong Province Qingyuan Lianzhou City Xingjiang College\* (廣東省清遠連州市星江中學), the PRC in 1991.

\* For identification purposes only

# DIRECTORS AND SENIOR MANAGEMENT

**Mr. Chen Da** (“**Mr. Chen**”), aged 40, was appointed as an executive Director on 9 November 2021. He is also a director of certain subsidiaries of the Group. Mr. Chen has over thirteen years of experience in natural resource trading business. He has worked as the general manager of Global Engineering & Trading (HONG KONG) Limited since November 2019, where he is mainly responsible for operating and managing international trade and logistics business. Prior to that, he worked at Wu Kuang International Engineering & Technology Company Limited\* (五礦國際工程技術有限公司) from November 2008 to October 2019, where he started off as the Project Manager and was gradually promoted to be the Deputy General Manager. While he worked as the Deputy General Manager, he was responsible for the management of international business activities of the company in countries other than China.

Mr. Chen completed his undergraduate studies at University of International Business and Economics in China in July 2005, majoring in international economics and trade. In addition, he took an International Business Program as an international exchange student at University of Victoria in Canada in 2004.

## NON-EXECUTIVE DIRECTOR

**Ms. Chooi Pey Nee** (“**Ms. Chooi**”), aged 54, 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 23 years of professional experience in audit, dealing in securities, operations of fund management companies and compliance.

Ms. Chooi joined Stahl Associates Pte. Ltd. from January 2021 to April 2021 and was then transferred to Kibo Invest Pte. Ltd. where she currently holds the position of investment operations and compliance administrator. Since June 2017, she has been appointed as an independent non-executive director of GT Steel Construction Group Limited, a company listed on 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.); 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; and from July 2017 to December 2020, Ms. Chooi worked at Soochow Securities CSSD (Singapore) Pte. Ltd. and held the position of vice president, compliance, risk management & admin.

# DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Chu Hoe Tin ("Mr. Chu")**, aged 39, was appointed as an independent non-executive Director on 5 September 2019. Mr. Chu is also the chairman of the Audit Committee and a member of the Nomination Committee. He has over 16 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 (currently known as DIT Group Limited), a company listed on the Stock Exchange (stock code: 726).

Mr. Chu has been a fellow 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.

**Mr. Ng Ying Kit ("Mr. Ng")**, aged 44, was appointed as an independent non-executive Director, chairman of the Remuneration Committee and a member of the Audit Committee with effect from 27 October 2020. Mr. Ng has more than 10 years of experience in corporate finance and investment banking and has considerable experience in mergers and acquisitions, debt and equity financing and corporate strategic planning. He held senior management position in a Hong Kong listed company overseeing the corporate finance function.

He is currently an executive director of Grand Ocean Advanced Resources Company Limited, the shares of which are listed on the Main Board of the Stock Exchange (stock code: 65) since February 2015 where he is mainly responsible for the business development and corporate finance function. Mr. Ng graduated from the University of Hong Kong with a Bachelor's degree in Electrical and Electronic Engineering.

**Mr. Wong Sze Lok ("Mr. Wong")**, aged 49, was appointed as an independent non-executive Director, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee on 4 February 2021. Mr. Wong has over ten years of experience in auditing and corporate governance. He has served as the company secretary of Unitas Holdings Limited, a company listed on GEM of the Stock Exchange (Stock code: 8020), since August 2018. Mr. Wong is currently an independent non-executive director of Aowei Holding Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 1370), since April 2021 and Cocoon Holdings Limited (Stock code: 428) a company listed on the Main Board of the Stock Exchange, since April 2021, a company listed on the Main Board of the Stock Exchange. Mr. Wong was appointed as the chief financial officer of Century Entertainment International Holdings Limited (formerly known as Amax International Holdings Limited), a company listed on the Main Board of the Stock Exchange (Stock code: 959), from 2012 to 2019. Mr. Wong was an independent non-executive director of Grand Field Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 115), from July 2018 to July 2021.

Mr. Wong obtained a bachelor of arts degree in accountancy from The Hong Kong Polytechnic University in November 1996, a master of management degree from Macquarie University in November 2004 and a certificate of higher education in Law from the University of Essex in December 2021. Mr. Wong is currently a fellow member of the Hong Kong Institute of Certified Public Accountants, a fellow member of The Institute of Chartered Accountants in England and Wales and a Certified Information Systems Auditor.

# DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Mr. Sim Thean Wah**, aged 56, is the chief financial officer of TBK Malaysian 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 28 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.

**Mr. Low Yik Son**, aged 45, 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 23 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 38, 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 17 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.

# DIRECTORS AND SENIOR MANAGEMENT

**Mr. Surendran Tanchontuan**, aged 38, is project manager of the Group. He joined the Group as safety and site supervisor in 2004 and has since accumulated approximately 17 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.

**Mr. Lam Tze Chung**, aged 50, joined the Group in September 2019 as finance manager of the Group and was subsequently promoted as the chief financial officer of the Group in April 2022. He is also a director of a subsidiary of the Company. Mr. Lam has over 20 years of working experience in accounting, financial management and several listed companies in Hong Kong.

Mr. Lam obtained a degree of Bachelor of Arts in Accountancy in 2008 from The Hong Kong Polytechnic University and a degree of Master of Science in Finance in 2013 from City University of Hong Kong. He is a member of the Hong Kong Institute of Certified Public Accountants and a member of the Association of Chartered Certified Accountants since 2009.

## COMPANY SECRETARY

**Mr. Lam Wing Tai**, aged 56, was appointed as the company secretary on 24 January 2019. He was the company secretary of Worldgate Global Logistics Limited, a company listed on 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 GEM of the Stock Exchange (Stock code: 8383), since April 2017 and RaffAello-Astrum Financial Holdings Limited, a company listed on GEM of the Stock Exchange (Stock code: 8333), since December 2021. 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 PRACTICES

The Company is committed to fulfilling its responsibilities to the Shareholders and protecting and enhancing Shareholders' value through good corporate governance.

The Board recognises the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the principles and all relevant code provisions as set out under the Corporate Governance Code effective on or before 31 December 2021 (the "**CG code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Furthermore, the Board will adopt the new CG Code (version with effect from 1 January 2022), the requirements under which shall apply to the Company's corporate governance report in the forthcoming financial year.

To the best of the knowledge of the Board, the Company has complied with all the applicable CG code during the Financial Year. 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 (the "**Model Code**") 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 throughout the Financial Year.

## 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.

# CORPORATE GOVERNANCE REPORT

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 the 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.

# CORPORATE GOVERNANCE REPORT

## 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.

# CORPORATE GOVERNANCE REPORT

## 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.

## 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 Directors:

## **Executive Directors**

Mr. Tan Hun Tiong (*Chairman*)

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

Mr. Tang Zhiming

Mr. Chen Da

## **Non-executive Director**

Ms. Chooi Pey Nee

## **Independent Non-executive Directors**

Mr. Chu Hoe Tin

Mr. Ng Ying Kit

Mr. Wong Sze Lok

The biographical details of each of the Directors are set out in the section headed “Directors and Senior Management” of this annual 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 more than one-third 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.

# CORPORATE GOVERNANCE REPORT

## 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, Mr. Tang Zhiming, Mr. Chen Da, Ms. Chooi Pey Nee, Mr. Chu Hoe Tin, Mr. Ng Ying Kit and Mr. Wong Sze Lok, 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 6 written resolutions, at which the Directors discussed and approved, amongst other matter, (i) the Group's audited financial statements, the Directors' report and the independent auditor's report for the year ended 30 June 2021, the interim results for the six months ended 31 December 2021 and the environmental, social and governance report 2021; (ii) the appointment of executive Director; (iii) profit warning and inside information; (iv) change in use of proceeds; (v) acquisition of 75% equity interests of Xinhongyao Construction; and (vi) the overall strategic direction and objectives of the business and other significant matters of the Group.

# CORPORATE GOVERNANCE REPORT

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

<b>Name of Directors</b>	<b>Board Meetings Attended/ Eligible to Attend</b>
<b>Executive Directors</b>	
Mr. Tan Hun Tiong ( <i>Chairman</i> )	4/4
Mr. Tan Han Peng ( <i>Chief executive officer</i> )	4/4
Mr. Tang Zhiming	4/4
Mr. Chen Da (appointed on 9 November 2021)	2/2
<b>Non-executive Director</b>	
Ms. Chooi Pey Nee	4/4
<b>Independent Non-executive Directors</b>	
Mr. Chu Hoe Tin	4/4
Mr. Ng Ying Kit	4/4
Mr. Wong Sze Lok	4/4

Apart from the Board meetings, the Chairman held a meeting with the INEDs without the presence of the Executive Directors during the Financial Year.

# CORPORATE GOVERNANCE REPORT

The annual general meeting (the “AGM”) of the Company for the financial year ended 30 June 2021 was held on 14 December 2021. The attendance of each Director at the AGM during the Financial Year is as follows:

<b>Name of Directors</b>	<b>AGM Attended/ Eligible to Attend</b>
<b>Executive Directors</b>	
Mr. Tan Hun Tiong ( <i>Chairman</i> )	1/1
Mr. Tan Han Peng ( <i>Chief executive officer</i> )	1/1
Mr. Tang Zhiming	0/1
Mr. Chen Da (appointed on 9 November 2021)	1/1
<b>Non-executive Director</b>	
Ms. Chooi Pey Nee	1/1
<b>Independent Non-executive Directors</b>	
Mr. Chu Hoe Tin	1/1
Mr. Ng Ying Kit	1/1
Mr. Wong Sze Lok	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

The non-executive Director, Ms. Chooi Pey Nee and the independent non-executive Director, Mr. Chu Hoe Tin, had entered into a letter of appointment with the Company on 5 September 2019. Each of the 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.

The independent non-executive Directors, namely Mr. Ng Ying Kit and Mr. Wong Sze Lok had entered into a letter of appointment with the Company on 27 October 2020 and 4 February 2021, respectively. Each of the appointment is for an initial term of one year commencing from the date of appointment 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”).

# CORPORATE GOVERNANCE REPORT

## 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 Ying Kit and Mr. Wong Sze Lok. 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 judgements and overseeing the Group's financial reporting system and risk management and internal control systems.

During the Financial Year, the Audit Committee held 3 meetings, at which the Audit Committee has reviewed and discussed (i) the Group's consolidated results for the year ended 30 June 2021 and the interim results for the six months ended 31 December 2021; (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; (iii) audit planning; and (iv) the re-appointment of BDO Limited as the Company's external independent auditor.

The attendance of each member at the Audit Committee meetings ("**AC Meetings**") during the Financial Year is as follows:

<b>Name of Directors</b>	<b>AC Meetings Attended/ Eligible to Attend</b>
Mr. Chu Hoe Tin	3/3
Mr. Ng Ying Kit	3/3
Mr. Wong Sze Lok	3/3

# CORPORATE GOVERNANCE REPORT

## 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. Ng Ying Kit, Mr. Tan Han Peng, and Mr. Wong Sze Lok. The chairman of the Remuneration Committee is Mr. Ng Ying Kit.

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 2 meetings, 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 meetings ("**RC Meetings**") during the Financial Year is as follows:

<b>Name of Directors</b>	<b>RC Meetings Attended/ Eligible to Attend</b>
Mr. Ng Ying Kit	2/2
Mr. Tan Han Peng	2/2
Mr. Wong Sze Lok	2/2

# CORPORATE GOVERNANCE REPORT

## 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. Wong Sze Lok, Mr. Chu Hoe Tin and Mr. Tan Han Peng. The chairman of the Nomination Committee is Mr. Wong Sze Lok.

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 INEDs 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 2 meetings, at which the Nomination Committee (i) reviewed the board structure and the Board Diversity Policy; (ii) assessed the independence of the INEDs and recommended to the Board for consideration the re-appointment of all the retiring Directors at the AGM; and (iii) discussed and recommended to the Board on the appointment of executive Director.

The attendance of each member at the Nomination Committee meetings (“**NC meetings**”) during the Financial Year is as follows:

<b>Name of Directors</b>	<b>NC Meetings Attended/ Eligible to Attend</b>
Mr. Wong Sze Lok	2/2
Mr. Chu Hoe Tin	2/2
Mr. Tan Han Peng	2/2

# CORPORATE GOVERNANCE REPORT

## 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	Amounts RM'000
Audit services — Annual audit	712
Non-audit services — Agreed-upon procedures on interim results	59
Non-audit services — Agreed-upon procedures on inventory review	33
Audit services — Completion account of acquisition of Xinhongyao Construction	59
Non-audit services — Taxation service	25
	888

## 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 Group 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 Group'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 Group's consolidated financial statements for the Financial Year.

# CORPORATE GOVERNANCE REPORT

## 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; (iii) operational risk and (iv) environmental, social and governance ("ESG") risks.

The Group has designed and implemented risk management policies to address these potential risks (including ESG 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. 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 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 will be responsible for, among other things, the oversight of compliance of applicable laws and regulations; and
- (v) each of the Directors 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 or received and reviewed relevant training materials in relation to responsibilities and duties of directors of a listed company in Hong Kong.

# CORPORATE GOVERNANCE REPORT

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.

The Board also included a review of adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, internal audit as well as the function relating to its ESG performance and reporting.

## 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 inside 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.

## 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 "Procedures for Shareholders to propose a person for election as a director of the Company" which is posted on the Company's website.

# CORPORATE GOVERNANCE REPORT

## **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](http://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 Financial Year. 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 is pleased to present their report together with the audited consolidated financial statements of the Group for the Financial Year.

## PRINCIPAL ACTIVITIES AND SUBSIDIARIES

The Group is principally engaged in civil and structural works in Malaysia and the PRC and trading of oil and related products in the PRC. The principal activities of the Company's principal subsidiaries are set forth in note 34 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 section headed "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 2022 are set forth in the consolidated financial statements on pages 64 to 66 and 129 of this annual report, respectively.

## FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Financial Year (2021: Nil).

## 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 is set out on page 144 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 15 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 2022.

## SHARE CAPITAL

Details of the Company's share capital are set out in note 28 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 29 to the consolidated financial statements and in the consolidated statement of changes in equity set out on page 67 of this annual report, respectively.

# REPORT OF THE DIRECTORS

## DISTRIBUTABLE RESERVES

At 30 June 2022, the Company's distributable reserves to the Shareholders (comprising share premium, contributed surplus and accumulated losses) amounted to approximately RM113.3 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 the Eligible Persons. An offer of grant of an option may be accepted by an Eligible Person within 21 days inclusive of the date on which it is made. 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 in issue (the "**Scheme Limit**") unless approved by its Shareholders pursuant to 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.

# REPORT OF THE DIRECTORS

No option shall be granted to any Eligible Person if any further grant of options would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including such further grant would exceed 1% of the total number of Shares in issue from time to time (the “**Participant Limit**”), unless such grant has been duly approved by resolution of the Shareholders in general meeting at which the Eligible Person and his close associates shall abstain from voting.

Any grant of options to any Director, chief executive, or substantial Shareholder (excluding the proposed Director or chief executive) of the Company or any of their respective associates shall be approved by all the independent non-executive Directors (excluding any independent non-executive Director who is any offeree of an option) and shall comply with the relevant provisions of Chapter 17 of the Listing Rules.

Share options granted to substantial Shareholders or independent non-executive Directors or any of their respective associates in any 12-month period in excess of 0.1% of the Company’s issued share capital on the date of grant and with a value in excess of HK\$5 million must be approved in advance by the Shareholders.

The exercise price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as determined by the Board, and shall at least be the highest of (i) the closing price of the Shares as stated in the Stock Exchange’s daily quotations sheet on the date of grant, which must be a trading day on which the Board passes a resolution approving the making of an offer of grant of an option to an Eligible Person; (ii) the average closing price of the Shares as stated in the Stock Exchange’s daily quotations sheets for the five trading days immediately preceding the date of grant; and (iii) the nominal value of a Share on the date of grant.

The Share Option Scheme is valid and effective for a period of 10 years and will expire at the close of business on 4 September 2029. Subject to the rules of the Share Option Scheme, option may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than 10 years commencing on the date of the offer letter and expiring on the last day of such 10-year period.

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

# REPORT OF THE DIRECTORS

As at 30 June 2022, the total number of securities available for issue under the Share Option Scheme was 90,000,000, representing 9% of the entire issued share capital of the Company. Movements of Share Options during the Financial Year are as below:

Name and category of participant	Date of grant	Exercise price HK\$	Outstanding at 1 July 2021	Granted during the Financial Year	Exercised during the Financial Year	Cancelled/ Lapsed during the Financial Year	Outstanding at 30 June 2022	Validity period of the Share Options
Mr. Lam Tze Chung, a director of a subsidiary of the Company	12 May 2021	0.35	5,000,000	–	–	–	5,000,000	12 May 2021 to 11 May 2026
Employee	12 May 2021	0.35	5,000,000	–	–	–	5,000,000	12 May 2021 to 11 May 2026
<b>Total:</b>			<b>10,000,000</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>10,000,000</b>	

Note: Employee working under employment contracts that were regarded as “Continuous Contracts” for the purpose of the Hong Kong Employment Ordinance.

During the Financial Year, the Group did not recognize any equity-settled share-based payment expense (2021: RM845,000). For the year ended 30 June 2021, the fair value of options granted amounting to approximately RM443,000 and RM402,000 were attributable to a director of subsidiaries of the Company and an employee, respectively. The estimate of the fair value of the Share Options granted was measured based on Binomial model. The variables and assumptions used in computing the fair value of the Share Options are based on the valuer’s best estimate. Changes in variables and assumptions may result in changes in fair value of the Share Options.

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

Further details of the grant of Share Options are set out in note 31 to the consolidated financial statements.

## EQUITY-LINKED AGREEMENTS

Save as 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

No purchase, sale or redemption of the Company’s listed securities was made by the Company or any of its subsidiaries during the Financial Year.

# REPORT OF THE DIRECTORS

## MAJOR CUSTOMERS AND SUPPLIERS

During the Financial Year, the five largest customers of the Group accounted for about 91.4% of the Group's total revenue and the largest customer accounted for about 46.9% of the total revenue.

During the Financial Year, the five largest suppliers of the Group accounted for about 81.3% of the Group's cost of sales and the largest supplier accounted for about 25.3% of the cost of sales.

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 PARTY TRANSACTIONS

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 party transactions of the Group during the Financial Year are disclosed in note 36 to the consolidated financial statements.

## 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 principally required to comply with the laws and regulations in relation to environmental protection, including the Environmental Quality Act 1974 of Malaysia, Environmental Quality (Clean Air) Regulations 1978 of Malaysia, the Environmental Quality (Sewage and Industrial Effluents) Regulations 1979 of Malaysia, the Air Pollution Control Ordinance of Hong Kong, the Waste Disposal Ordinance of Hong Kong, the Environmental Protection Law of the PRC, and the Prevention and Control of Atmospheric Pollution of the PRC. 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 Group commenced the trading of oil and related products in the PRC in March 2021 and the civil and structural works in the PRC in April 2022 which have relatively short operation history and small environmental footprint. The Group will continue to monitor the environmental impact of the PRC operations.

To the best knowledge of the Directors, the Group was in compliance with applicable environmental laws and regulations in all material respects during the Financial Year. 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, respectively, in due course.

# REPORT OF THE DIRECTORS

## 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, Hong Kong and the PRC 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.

## 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, customers, 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 offers 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 provides 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 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 suppliers and subcontractors. 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 over 20 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.

# REPORT OF THE DIRECTORS

The Group has also established close and long-term working relationships with suppliers and subcontractors 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 or any event which will have a significant impact on the Group's business and on which the Group's success depends.

## 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*)

Mr. Tang Zhiming

Mr. Chen Da (appointed on 9 November 2021)

### Non-executive Director

Ms. Chooi Pey Nee

### Independent Non-executive Directors

Mr. Chu Hoe Tin

Mr. Ng Ying Kit

Mr. Wong Sze Lok

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.

# REPORT OF THE DIRECTORS

In accordance with the Articles 84 of the Articles, Mr. Tan Hun Tiong, Mr. Tan Han Peng and Mr. Ng Ying Kit will retire at the forthcoming AGM and all 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 in the section headed “Directors and Senior Management” of this annual report.

## DIRECTORS’ SERVICE CONTRACTS

The executive Directors, namely, Mr. Tan Hun Tiong and Mr. Tan Han Peng had entered into a service contract with the Company on 5 September 2019, Mr. Tang Zhiming had entered into a service contract with the Company on 4 February 2021 and Mr. Chen Da had entered in a service contract with the Company on 9 November 2021. 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 effective 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.

The non-executive Director, Ms. Chooi Pey Nee and the independent non-executive Director, Mr. Chu Hoe Tin had entered into a letter of appointment with the Company on 5 September 2019 and the independent non-executive Directors, namely, Mr. Ng Ying Kit and Mr. Wong Sze Lok had entered into a letter of appointment with the Company on 27 October 2020 and 4 February 2021, respectively. Each of the appointment is for an initial term of one year commencing from the effective 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 agreement/letter of appointment with the Company, which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

# REPORT OF THE DIRECTORS

## DIRECTORS' REMUNERATIONS

Details of the remunerations 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.

## DEFINED CONTRIBUTION RETIREMENT PLANS

The Group contributes to defined contribution retirement plans which are available for eligible employees in Malaysia, Hong Kong and the PRC.

As required by the Employees Provident Fund Act 1991 of Malaysia, the Group makes contributions to the federal statutory body, Employees Provident Fund ("**EPF**"), which manages the compulsory savings plan and retirement planning for employees in Malaysia. In Hong Kong, the Group operates the Mandatory Provident Fund scheme (the "**MPF**") under the Hong Kong Mandatory Provident Fund Schemes Ordinance, for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. In PRC, the Group has joined defined contribution retirement schemes pursuant to the relevant laws and regulations in the PRC for the employees arranged by government authorities ("**PRC Retirement Schemes**").

Contributions to each of the EPF, MPF and PRC Retirement Schemes (collectively the "**Schemes**") by the Group and employees are calculated at certain percentages of employees' monthly salaries stipulated by the relevant government authorities. The assets of the MPF are held separately from those of the Group in an independently administered fund while EPF and PRC Retirement Schemes are state-managed. The obligation of the Group with respect to the Schemes is to make the specified contributions which are recognized as an expense in profit or loss when the services are rendered by the employees.

There are no forfeited contributions for the Schemes as the contributions are fully vested with the employees upon payment to the plans.

# REPORT OF THE DIRECTORS

## 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 2022, 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 Model 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 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 2022, 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.

# REPORT OF THE DIRECTORS

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

As at 30 June 2022, 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)	60.0%
Ms. Tan Siew Hong	Interest of spouse (Note 2)	600,000,000 (L)	60.0%
Victory Lead Ventures Limited	Beneficial owner (Note 3)	89,035,000 (L)	8.90%
Fuji Investment SPC	Interest of controlled corporation (Note 3)	89,035,000 (L)	8.90%
Red Bright International Limited ("Red Bright")	Person having a security interest in shares (Note 4)	600,000,000 (L)	60.0%
Mr. Yang Dunwei ("Mr. Yang")	Interest of controlled corporation (Note 5)	600,000,000 (L)	60.0%

Notes:

1. The letter "L" denotes the person's 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.
4. On 28 September 2021, TBKS International and Red Bright entered into a deed of charge pursuant to which 600,000,000 Shares in the name of TBKS International are to be charged to Red Bright as security.
5. Based on the notices of disclosure of interest filed by Mr. Yang on 30 September 2021, Mr. Yang has 100% direct interest in Red Bright and he is deemed to be interested in all the Shares held by Red Bright under the SFO.

Save as disclosed above, as at 30 June 2022, 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

At no time during the Financial Year 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.

# REPORT OF THE DIRECTORS

## 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 Financial Year.

## 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 annual report, the Company has maintained the prescribed minimum public float for its Shares as required under the Listing Rules.

## DIRECTORS' INTEREST IN SIGNIFICANT CONTRACTS

Save as disclosed in this annual report, 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 Financial Year.

## EVENT AFTER THE REPORTING PERIOD

Except for the continuous impact of the Covid-19 pandemic as disclosed in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report, the Board is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2022 and up to the date of this annual 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, offers 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 RM20,000.

On behalf of the Board

**Tan Hun Tiong**

*Chairman*

Hong Kong, 27 September 2022

# INDEPENDENT AUDITOR'S REPORT



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## 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 64 to 143, which comprise the consolidated statement of financial position as at 30 June 2022, 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 2022, 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.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(Continued)*

### Accounting for civil and structural works contracts

For the year ended 30 June 2022, the Group's revenue and costs recognised for civil and structural works amounted to approximately RM60 million and RM58 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 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(i) for the accounting policies, Note 5(b)(i) for the key sources of estimation uncertainty 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 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 certificate;
- 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.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(Continued)*

### Revenue recognition of trading of oil and related products

For the year ended 30 June 2022, the Group's revenue and costs recognised for trading of oil and related products amounted to approximately RM766 million and RM737 million, respectively.

The Group's revenue from trading of oil and related products is recorded on a gross basis since the management considered that the Group is acting as a principal taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the oil and related products, the Group has inventory risk and discretion in establishing the price for the oil and related products.

The Group's revenue and costs for trading of oil and related products are quantitatively significant to the Group's consolidated financial statements as a whole and significant judgements are required in determining whether the Group is acting as a principal or an agent in the trading of oil and related products.

Refer to Note 4(i) for the accounting policies, Note 5(a)(i) for the critical accounting judgements and Notes 6 and 7 for disclosures for the Group's revenue and costs for trading of oil and related products.

Our response:

Our audit procedures in relation to the revenue recognition of trading of oil and related products included the following:

- understanding and reviewing the key terms of the sales and purchase agreements of all transactions during the year;
- assessing whether the Group has control over the oil and related products traded by considering all relevant factors including but not limited to which party maintains primary obligation for the delivery of the goods to the customers, which party assumes inventory risk and which party has pricing latitude; and
- checking that revenue has been properly recognised on a gross basis and assessing the adequacy of the related disclosures in the consolidated financial statements.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS *(Continued)*

### **Impairment assessment of trade receivables and contract assets**

As at 30 June 2022, the Group's trade receivables and contract assets amounted to approximately RM42 million and RM30 million, respectively, which in aggregate represented about 33% 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(h) and 4(i) for the accounting policies, Note 5(b)(iii) for the key sources of estimation uncertainty and Notes 18 and 19 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 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.

# INDEPENDENT AUDITOR'S REPORT

## 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 HKSAAs 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.

# INDEPENDENT AUDITOR'S REPORT

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

As part of an audit in accordance with HKSAAs, 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.

# INDEPENDENT AUDITOR'S REPORT

## 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, related safeguards.

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

27 September 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2022

	Notes	2022 RM'000	2021 RM'000
Revenue	7	<b>825,908</b>	189,081
Cost of sales		<b>(795,026)</b>	(175,784)
Gross profit		<b>30,882</b>	13,297
Other income, net	8	<b>2,289</b>	2,685
Selling and distribution expenses		<b>(1,318)</b>	–
Administrative expenses		<b>(17,718)</b>	(13,118)
Finance costs	9	<b>(496)</b>	(485)
Share of loss of an associate, net of tax	17	<b>(147)</b>	(182)
Profit before income tax expense	10	<b>13,492</b>	2,197
Income tax expense	13	<b>(2,952)</b>	(1,595)
Profit for the year		<b>10,540</b>	602
Other comprehensive income that may be reclassified subsequently to profit or loss, net of tax:			
Exchange differences on translation of foreign operations		<b>2,454</b>	(2,332)
Total comprehensive income for the year		<b>12,994</b>	(1,730)
Profit attributable to:			
— Owners of the Company		<b>10,402</b>	602
— Non-controlling interests		<b>138</b>	–
		<b>10,540</b>	602
Total comprehensive income attributable to:			
— Owners of the Company		<b>12,856</b>	(1,730)
— Non-controlling interests		<b>138</b>	–
		<b>12,994</b>	(1,730)
Earnings per share	14		
— Basic (RM)		<b>1.04 sen</b>	0.06 sen
— Diluted (RM)		<b>1.04 sen</b>	0.06 sen

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	2022 RM'000	2021 RM'000
<b>Non-current assets</b>			
Property, plant and equipment	15	24,642	20,226
Intangible assets	16	577	–
Interest in an associate	17	121	268
Deferred tax assets	27	–	321
		<b>25,340</b>	20,815
<b>Current assets</b>			
Trade receivables, other receivables, deposits and prepayments	18	102,296	31,541
Contract assets	19	30,046	23,051
Amount due from an associate	26	54	–
Pledged time deposits and bank balances	36(c)	6,325	14,640
Cash and cash equivalents	20	74,156	72,615
Tax recoverable		2,947	1,952
		<b>215,824</b>	143,799
Asset held for disposal	21	214	–
		<b>216,038</b>	143,799
<b>Current liabilities</b>			
Trade and other payables	22	22,969	14,021
Contact liabilities	23	53,735	3,884
Lease liabilities	24	3,878	1,767
Bank borrowings	25	2,614	2,891
Tax payable		726	7
		<b>83,922</b>	22,570
<b>Net current assets</b>		<b>132,116</b>	121,229
<b>Total assets less current liabilities</b>		<b>157,456</b>	142,044

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	2022 RM'000	2021 RM'000
<b>Non-current liabilities</b>			
Lease liabilities	24	3,399	1,360
Bank borrowings	25	1,215	1,974
Deferred tax liabilities	27	3	–
		<b>4,617</b>	3,334
<b>NET ASSETS</b>		<b>152,839</b>	138,710
<b>Equity</b>			
Share capital	28	5,300	5,300
Reserves	29	146,266	133,410
Equity attributable to owners of the Company		<b>151,566</b>	138,710
Non-controlling interests	35	1,273	–
<b>TOTAL EQUITY</b>		<b>152,839</b>	138,710

On behalf of the Board

**Tan Hun Tiong**  
Director

**Tan Han Peng**  
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2022

	Equity attributable to owners of the Company							Non-controlling interests RM'000	Total equity RM'000
	Share capital RM'000 (Note 28)	Share premium RM'000	Share option 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		
<b>At 1 July 2020</b>	5,300	51,793	–	12,350	2,509	67,643	139,595	–	139,595
Profit for the year	–	–	–	–	–	602	602	–	602
Exchange differences on translation of foreign operations	–	–	–	–	(2,332)	–	(2,332)	–	(2,332)
Total comprehensive income for the year	–	–	–	–	(2,332)	602	(1,730)	–	(1,730)
Equity settled share-based transactions (Note 31)	–	–	845	–	–	–	845	–	845
Total transactions with owners	–	–	845	–	–	–	845	–	845
<b>At 30 June 2021 and 1 July 2021</b>	5,300	51,793	845	12,350	177	68,245	138,710	–	138,710
Profit for the year	–	–	–	–	–	10,402	10,402	138	10,540
Exchange differences on translation of foreign operations	–	–	–	–	2,454	–	2,454	–	2,454
Total comprehensive income for the year	–	–	–	–	2,454	10,402	12,856	138	12,994
Acquisition of a subsidiary (Note 32)	–	–	–	–	–	–	–	1,135	1,135
<b>At 30 June 2022</b>	5,300	51,793	845	12,350	2,631	78,647	151,566	1,273	152,839

Notes:

**(a) Share option reserve**

Cumulative expenses recognised on the granting of share options to the employees.

**(b) Merger reserve**

Merger reserve as at 30 June 2022 and 2021 represents 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**”).

**(c) Exchange translation reserve**

Exchange translation reserve represents 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(k).

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	2022 RM'000	2021 RM'000
<b>Operating activities</b>		
Profit before income tax expense	13,492	2,197
Adjustments for:		
Depreciation of property, plant and equipment	4,902	3,700
Amortisation on Intangible assets	34	–
Gain on bargain purchase arising from acquisition of a subsidiary	(19)	–
Provision for onerous contracts	167	–
Write-off of property, plant and equipment	–	63
Finance costs	496	485
Interest income	(230)	(446)
Equity-settled share-based payment expenses	–	845
Impairment loss on trade receivables and contract assets	348	888
Reversal of impairment loss on trade receivables and contract assets	–	(109)
Impairment loss on advances paid to subcontractors and suppliers	1,251	–
Impairment loss on balance with a financial institution	398	–
Gain on disposal of financial assets at fair value through profit or loss	–	(1,109)
Dividend income	–	(188)
Share of loss of an associate, net of tax	147	182
Cash flows before working capital changes	20,986	6,508
Increase in trade receivables, other receivables, deposits and prepayments	(68,427)	(15,234)
(Increase)/decrease in contract assets	(5,755)	26,047
Decrease in inventories	24	–
Increase/(decrease) in trade and other payables	2,150	(20,287)
Increase in contract liabilities	49,851	3,884
<b>Cash (used in)/generated from operations</b>	<b>(1,171)</b>	918
Income tax paid	(3,037)	(2,849)
Income tax refunded	132	–
Interest paid on bank overdrafts	(24)	(41)
<b>Net cash used in operating activities</b>	<b>(4,100)</b>	(1,972)

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30 June 2022

	2022 RM'000	2021 RM'000
<b>Investing activities</b>		
Acquisition of an associate	–	(450)
Acquisition of a subsidiary (Note 32)	1,586	–
Increase in amount due from an associate	(54)	–
Purchase of property, plant and equipment	(986)	(790)
Purchase of financial assets at fair value through profit or loss	–	(1,423)
Interest received	198	613
Movements in pledged time deposits and bank balances	8,315	24,985
Proceeds from disposal of financial assets at fair value through profit or loss	–	7,991
Dividend received	–	188
<b>Net cash generated from investing activities</b>	<b>9,059</b>	31,114
<b>Financing activities</b>		
Interest paid on bank borrowings	(156)	(169)
Interest paid on lease liabilities	(316)	(275)
Proceeds from bank borrowings	2,168	2,363
Repayment of bank borrowings	(3,204)	(511)
Repayment of lease liabilities	(3,963)	(3,108)
<b>Net cash used in financing activities</b>	<b>(5,471)</b>	(1,700)
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(512)</b>	27,442
<b>Cash and cash equivalents at beginning of year</b>	<b>72,615</b>	47,315
<b>Impairment loss on balance with a financial institution</b>	<b>(398)</b>	–
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>2,451</b>	(2,142)
<b>Cash and cash equivalents at end of year</b>	<b>74,156</b>	72,615
<b>Analysis of cash and cash equivalents</b>		
Cash and bank balances	56,932	51,843
Balance with a financial institution	17,224	20,772
	<b>74,156</b>	72,615

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 1. GENERAL INFORMATION AND SIGNIFICANT EVENTS

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

## 2. BASIS OF PREPARATION

### (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 ("**Listing Rules**").

### (b) Basis of measurement

The consolidated financial statements have been prepared under the historical cost basis.

### (c) Functional and presentation currency

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 3. ADOPTION OF REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”)

### (a) Adoption of revised IFRSs — effective 1 July 2021

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

Amendments to IFRS 9, IAS 39,  
IFRS 7, IFRS 4 and IFRS 16

Interest Rate Benchmark Reform — Phase 2

None of these amended IFRSs has a material impact on the Group’s results and financial position for the current or prior period. The Group has not early applied any amended IFRSs that is not yet effective for the current accounting period.

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

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

Amendments to IFRS 10 and IAS 28

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture<sup>4</sup>

Amendments to IAS 1

Classification of Liabilities as Current or Non-Current<sup>3</sup>

Amendments to IAS 1 and IFRS Practice Statement 2

Disclosure of Accounting Policies<sup>3</sup>

Amendments to IAS 8

Definition of Accounting Estimates<sup>3</sup>

Amendments to IAS 12

Deferred Tax related to Assets and Liabilities arising from a Single Transaction<sup>3</sup>

Amendments to IAS 37

Onerous Contracts — Cost of Fulfilling a Contract<sup>1</sup>

Amendments to IFRS 3

Reference to the Conceptual Framework<sup>2</sup>

Annual Improvements to IFRSs 2018–2020

Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41<sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>2</sup> Effective for business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> No mandatory effective date yet determined but available for adoption.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 3. ADOPTION OF REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“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 IFRS 10 and IAS 28 — Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

#### *Amendments to IAS 1 — Classification of Liabilities as Current or Non-Current*

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of “settlement” to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

#### *Amendments to IAS 1 and IFRS Practice Statement 2 — Disclosure of Accounting Policies*

The amendments to IAS 1 require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendments to IFRS Practice Statement 2 provide guidance on how to apply the concept of materiality to accounting policy disclosures.

#### *Amendments to IAS 8 — Definition of Accounting Estimates*

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a group develops an accounting estimate to achieve the objective set out by an accounting policy.

#### *Amendments to IAS 12 — Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 3. ADOPTION OF REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRSs”) (Continued)

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

#### *Amendments to IAS 37 — Onerous Contracts — Cost of Fulfilling a Contract*

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

#### *Amendments to IFRS 3 — Reference to the Conceptual Framework*

The amendments update IFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to IFRS 3 a requirement that, for obligations within the scope of IAS 37, an acquirer applies IAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of IFRIC 21 Levies, the acquirer applies IFRIC 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

#### *Annual Improvements to IFRSs 2018 — 2020 — Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*

The annual improvements amend a number of standards, including:

- IFRS 1, First-time Adoption of IFRS, which permit a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent’s date of transition to IFRSs.
- IFRS 9, Financial Instruments, which clarify the fees included in the “10 per cent” test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other’s behalf are included.
- IFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 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 consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately.

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 interests' 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (c) Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An associate is accounted for using the equity method whereby it is initially recognised at cost and thereafter, its carrying amount is adjusted for the Group's share of the post-acquisition change in the associate's net assets except that losses in excess of the Group's interest in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associate are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions are eliminated against the carrying value of the associate. Where unrealised losses provide evidence of impairment of the asset transferred, they are recognised immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

### (d) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (d) Property, plant and equipment *(Continued)*

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%–25%
Furniture, fittings and office equipment	10%–33%
Leasehold improvements	Over lease term

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 2022

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

### (e) Intangible assets

#### (i) Goodwill

Goodwill recognised in a business combination is an asset at the acquisition date and is initially measured at cost being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest (if any) in the entity over the fair value of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

After initial recognition, goodwill is measured at cost less accumulated impairment losses, if any. Goodwill is not amortised but instead tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount could be impaired. Objective events that would trigger a more frequent impairment review include adverse industry or economic trends, significant restructuring actions, significantly lowered projections of profitability, or a sustained decline in the acquiree's market capitalisation. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

#### (ii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised at fair value at the acquisition date. Intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation expense is recognised in profit or loss and included in administrative expenses. The useful lives and amortisation method are reviewed, and adjusted if appropriate, at the end of reporting period. Amortisation is provided on a straight-line basis over their useful lives as follows:

Safe production licenses	33%
Construction qualification certificates	20%
Incomplete construction contracts	4 months

#### (iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (e) Intangible assets *(Continued)*

#### (iv) *Derecognition of intangible assets*

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

#### (v) *Impairment of intangible assets*

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired. Intangible assets are tested for impairment by comparing their carrying amounts with their recoverable amounts (see note 4(m)).

If the recoverable amount 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, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease to the extent of its revaluation surplus.

### (f) Asset held for disposal

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held-for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use.

Such assets, or disposal groups, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on a pro rata basis, except that no loss allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property or biological assets, which continue to be measured in accordance with the Group's other accounting policies. Impairment losses on initial classification as held-for-sale or held-for distribution and subsequent gains and losses on remeasurement are recognised in profit or loss.

Once classified as held-for-sale, intangible assets and property, plant and equipment are no longer amortised or depreciated, and any equity-accounted investee is no longer equity accounted.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### **(g) Leasing**

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 assets 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.

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 substance fixed lease payments or a change in assessment to purchase the underlying asset.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (h) 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.

#### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (h) Financial instruments *(Continued)*

#### (i) Financial assets *(Continued)*

##### **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
- Other receivables and deposits
- Contract assets
- Cash and cash equivalents

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.

Impairment on other receivables and deposits and cash and cash equivalents 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 these financial assets has occurred since initial recognition, impairment is measured as lifetime ECLs.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (h) Financial instruments *(Continued)*

#### (i) Financial assets *(Continued)*

##### **Impairment of financial assets** *(Continued)*

###### *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.

###### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (h) Financial instruments *(Continued)*

#### (i) Financial assets *(Continued)*

##### **Impairment of financial assets** *(Continued)*

##### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (i) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (i) 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.

#### *Trading of oil and related products*

The Group recognises the revenue from the sales of oil and related products at a point in time when the customer obtains control of the goods which is upon the delivery of the related goods to the customer. Revenue is measured based on the consideration specified in a contract with a customer, excludes amounts collected on behalf of third parties, discounts and sales related taxes.

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified goods or services before that goods or services is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified goods or services by another party. In this case, the Group does not control the specified goods or services provided by another party before that goods or services is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (i) Revenue recognition *(Continued)*

#### *Contract assets and liabilities*

A contract asset represents the Group's right to consideration in exchange for goods or 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 goods or 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.

#### *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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (i) Revenue recognition *(Continued)*

#### *Dividend income*

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

#### *Sublease rental income*

Sublease rental income from an operating lease is recognised as other revenue on a straight-line basis over the term of the lease.

### (j) 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income tax.

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 not deductible for tax purposes and initial recognition of assets and liabilities that are not part of the business combination which affect neither accounting nor taxable profits, taxable temporary differences arising on investments in subsidiaries and associates where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future, deferred tax liabilities are recognised for all taxable 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, provided that the deductible temporary differences are not arises from initial recognition of assets and liabilities in a transaction other than in a business combination that affects neither taxable profit nor the accounting profit. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period, and reflects any uncertainty related to income taxes.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income tax levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (k) 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.

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.

### (l) 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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (l) Employee benefits *(Continued)*

#### (ii) Defined contribution plans

The Company's subsidiaries incorporated in Malaysia make contributions to: (i) statutory pension schemes which are defined contribution retirement plans at statutory fixed rates gazetted by Malaysia from time to time; and (ii) Social Security Organisation which requires the entity to contribute certain percentage of its payroll costs to the organisation. 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.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance in Hong Kong for those employees who are eligible to participate in the MPF Scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions are made based on a percentage of the employees' basic salaries to the maximum mandatory contributions as required by the MPF Scheme. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short-term nature. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. Contributions to MPF Scheme are recognised as an expense in profit or loss when the services are rendered by the employees.

Employees of the group entity operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. Such entity is required to contribute certain percentages of its payroll costs to the central pension scheme. The contributions are charged to profit or loss in the period in which they are incurred.

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

### (m) 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)
- intangible assets
- interest in an associate

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (m) Impairment of assets (other than financial assets) *(Continued)*

If the recoverable amount (i.e. the greater of the fair value less costs of disposal 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, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the impairment loss is treated as a revaluation decrease under that IFRS.

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 in profit or loss immediately, unless the relevant asset is carried at a revalued amount under another IFRS, in which case the reversal of the impairment loss is treated as a revaluation increase under that IFRS.

Value in use is based on the estimated future cash flows expected to be derived from the asset, 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.

### (n) 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.

### (o) 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.

### (p) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (q) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### **(q) 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.

### **(r) Government grant**

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.

### **(s) Share based payments**

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognised in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognised in profit or loss over the remaining vesting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 5. CRITICAL ACCOUNTING JUDGEMENT 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.

### (a) Critical judgement in applying the Group's accounting policies

The following is the critical judgement, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

#### (i) *Principal versus agent consideration*

The Group determines whether the nature of its promise is a performance obligation to provide the oil and related products itself (i.e., the Group is a principal) or to arrange for the oil and related products to be provided by the other party (i.e., the Group is an agent) in accordance with IFRS 15 requirements. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the oil and related products to be provided by the other party. The Group's management determined that the Group is acting as the principal for the trading transactions taking into consideration indicators such as the Group is primarily responsible for fulfilling the promise to provide the oil and related products, the Group has inventory risk and discretion in establishing the price for the oil and related products.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (b) Key sources of estimation uncertainty

In addition to the estimates and underlying assumptions mentioned elsewhere in the consolidated financial statements, the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### (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.

#### (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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

### (b) Key sources of estimation uncertainty *(Continued)*

#### (iv) *Income tax and deferred tax*

The Group is principally subject to Malaysian and PRC 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 in Malaysia and the PRC and trading of oil and related products in the PRC.

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 four reportable segments summarised as follows:

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

The accounting policies of operating segments are the same as those described in the summary of significant accounting policies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 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 2022	Civil works projects RM'000	Building works projects RM'000	Construction and renovation works projects RM'000	Trading of oil and related products RM'000	Total RM'000
<b>Revenue</b>					
Revenue from external customers	43,219	2,572	14,199	765,918	825,908
Segment cost of sales	(42,123)	(2,434)	(13,334)	(737,135)	(795,026)
Gross profit	1,096	138	865	28,783	30,882
Other income, net					2,289
Selling and distribution expenses					(1,318)
Administrative expenses					(17,718)
Finance costs					(496)
Share of loss of an associate, net of tax					(147)
Profit before income tax expense					13,492
Income tax expense					(2,952)
Profit for the year					10,540

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 6. SEGMENT REPORTING *(Continued)*

### (a) Reportable segment *(Continued)*

Year ended 30 June 2021	Civil works projects RM'000	Building works projects RM'000	Trading of oil and related products RM'000	Total RM'000
<b>Revenue</b>				
Revenue from external customers	63,467	18,898	106,716	189,081
Segment cost of sales	(53,578)	(16,157)	(106,049)	(175,784)
Gross profit	9,889	2,741	667	13,297
Other income, net				2,685
Administrative expenses				(13,118)
Finance costs				(485)
Share of loss of an associate, net of tax				(182)
Profit before income tax expense				2,197
Income tax expense				(1,595)
Profit for the year				602

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 6. SEGMENT REPORTING *(Continued)*

### (b) Geographical information

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

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

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

	Revenue from external customers		Specified non-current assets	
	2022 RM'000	2021 RM'000	2022 RM'000	2021 RM'000
Hong Kong	–	–	18	23
Malaysia	45,791	82,365	17,572	20,158
PRC	780,117	106,716	7,052	45
	<b>825,908</b>	189,081	<b>24,642</b>	20,226

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 6. SEGMENT REPORTING *(Continued)*

### (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 2022	Civil works projects	Building works projects	Construction and renovation works projects	Trading of oil and related products	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Customer A	-	-	-	387,478	387,478
Customer B	-	-	-	270,037	270,037

Year ended 30 June 2021	Civil works projects	Building works projects	Trading of oil and related products	Total
	RM'000	RM'000	RM'000	RM'000
Customer C	-	-	106,716	106,716

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 7. REVENUE

Revenue represents the amounts received and receivable for civil and structural works rendered by the Group to customers and trading of oil and related products.

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

	2022 RM'000	2021 RM'000
<i>Recognised over time</i>		
Contract revenue	59,990	82,365
<i>Recognised at point in time</i>		
Trading of oil and related products	765,918	106,716
	<b>825,908</b>	189,081

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.

	2022 RM'000	2021 RM'000
Provision of civil and structural works	28,672	34,488

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 2022 and 2021 will be recognised as revenue during the years ended 30 June 2022 to 30 June 2025 in respect of provision of civil and structural works.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 8. OTHER INCOME, NET

	2022 RM'000	2021 RM'000
Sublease rental income	985	–
Interest income	230	446
Write-off of property, plant and equipment	–	(63)
Sundry income	1,025	962
Gain on disposal of financial assets at fair value through profit or loss	–	1,109
Dividend income	–	188
Government grants (Note)	30	43
Gain on bargain purchase arising from acquisition of a subsidiary (Note 32)	19	–
	<b>2,289</b>	<b>2,685</b>

Note: For the years ended 30 June 2022 and 2021, the Group obtained government grants from Employment Support Scheme under the Anti-epidemic Fund launched by the government of Hong Kong Special Administrative Region supporting the payroll of the Group's employees in Hong Kong. There were no conditions to be fulfilled or contingencies related to the grants.

## 9. FINANCE COSTS

	2022 RM'000	2021 RM'000
Interest on:		
— bank overdrafts	24	41
— term loans	107	149
— lease liabilities	316	275
— banker's acceptances	49	20
	<b>496</b>	<b>485</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 10. PROFIT BEFORE INCOME TAX EXPENSE

	2022 RM'000	2021 RM'000
Profit before income tax expense is arrived at after charging/(crediting):		
Auditors' remuneration	712	470
Short-term leases expenses	2,453	2,358
Amortisation on intangible assets	34	–
Depreciation of property, plant and equipment	1,798	1,319
Depreciation of right-of-use assets	3,104	2,381
Gain on disposal of financial assets at fair value through profit or loss	–	(1,109)
Impairment loss on trade receivables and contract assets	348	888
Reversal of impairment loss on trade receivables and contract assets	–	(109)
Impairment loss on trade receivables and contract assets, net	348	779
Impairment loss on advances paid to subcontractors and suppliers	1,251	–
Impairment loss on balance with a financial institution	398	–
Provision for onerous contracts (included in cost of sales) (Note 22)	167	–
Write-off of property, plant and equipment	–	63
Employee benefits expenses (including directors' and chief executive's emoluments (Note 11)):		
— Wages, salaries and other benefits	18,998	18,620
— Contributions to defined contribution plans	1,267	1,384
— Equity-settled share-based payment expenses	–	845
Total employee costs	20,265	20,849
Less: amounts included in cost of sales	(11,626)	(13,786)
	<b>8,639</b>	7,063

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 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 2022 and 2021 are set out as follows:

For the year ended 30 June 2022

	Fees RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to defined contribution plans RM'000	Total RM'000
<i>Executive directors</i>					
Mr. Tan Hun Tiong	324	585	–	36	945
Mr. Tan Han Peng	324	585	–	71	980
Mr. Tang Zhiming	324	132	–	14	470
Mr. Chen Da	207	–	–	–	207
<i>Non-executive director</i>					
Ms. Chooi Pey Nee	130	–	–	–	130
<i>Independent non-executive directors</i>					
Mr. Chu Hoe Tin	130	–	–	–	130
Mr. Ng Ying Kit	130	–	–	–	130
Mr. Wong Sze Lok	130	–	–	–	130
	<b>1,699</b>	<b>1,302</b>	<b>–</b>	<b>121</b>	<b>3,122</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

For the year ended 30 June 2021

	Fees RM'000	Salaries and other benefits RM'000	Discretionary bonus RM'000	Contributions to defined contribution plans RM'000	Total RM'000
<i>Executive directors</i>					
Mr. Tan Hun Tiong	318	779	–	108	1,205
Mr. Tan Han Peng	318	780	–	214	1,312
Mr. Tang Zhiming	130	21	–	–	151
<i>Non-executive director</i>					
Ms. Chooi Pey Nee	127	–	–	–	127
<i>Independent non-executive directors</i>					
Mr. Chu Hoe Tin	127	–	–	–	127
Mr. Ng Ying Kit	87	–	–	–	87
Mr. Wong Sze Lok	52	–	–	–	52
Mr. Tan Chade Phang (Chen Yifan)	41	–	–	–	41
Mr. Ng Chiou Gee Willy	74	–	–	–	74
	1,274	1,580	–	322	3,176

Notes:

- (i) Mr. Tan Chade Phang (Chen Yifan) was appointed as the Company's independent non-executive director on 5 September 2019 and resigned on 27 October 2020.
- (ii) Mr. Ng Chiou Gee Willy was appointed as the Company's independent non-executive director on 5 September 2019 and resigned on 1 February 2021.
- (iii) Mr. Ng Ying Kit was appointed as the Company's independent non-executive director on 27 October 2020.
- (iv) Mr. Wong Sze Lok was appointed as the Company's independent non-executive director on 4 February 2021.
- (v) Mr. Tang Zhiming was appointed as the Company's executive director on 4 February 2021.
- (vi) Mr. Chen Da was appointed as the Company's executive director on 9 November 2021.
- (vii) 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 12. FIVE HIGHEST PAID INDIVIDUALS

Of the five individuals with the highest emoluments in the Group, 3 (2021: 2) were directors of the Company whose emoluments are included in the disclosures in Note 11 above. The emoluments of the remaining 2 (2021: 3) individuals were as follows:

	2022 RM'000	2021 RM'000
Salaries and other benefits	1,123	1,342
Contributions to defined contribution plans	20	57
Discretionary bonus	–	60
	<b>1,143</b>	1,459

The emoluments of each of the above non-director highest paid individuals during the years ended 30 June 2022 and 2021 were all within the following bands:

	2022	2021
HK\$nil to HK\$1,000,000	1	3
HK\$1,000,001 to HK\$1,500,000	1	–
	<b>2</b>	3

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 13. INCOME TAX EXPENSE

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

	2022 RM'000	2021 RM'000
Malaysian corporate income tax		
— provision for the year	78	2,065
— under/(over) provision in respect of prior years	110	(457)
	<b>188</b>	1,608
PRC enterprise income tax		
— provision for the year	2,393	7
— under provision in respect of prior years	47	–
	<b>2,440</b>	7
Deferred tax	<b>324</b>	(20)
Income tax expense	<b>2,952</b>	1,595

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 years ended 30 June 2022 and 2021, the Malaysian corporate income tax of Tan Bock Kwee & Sons Sdn. Bhd. (“**TBK**”) and Prestasi Senadi Sdn. Bhd. (“**Prestasi Senadi**”) is calculated at the statutory tax rate of 24%.

The provision for PRC current income tax for 聯高能源(山東)有限公司 (Liangao Energy (Shandong) Company Limited) (“**Liangao Shandong**”) is based on a statutory rate of 25% of the assessable profit for the year ended 30 June 2022 as determined in accordance with the relevant income tax rules and regulations of the PRC.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 13. INCOME TAX EXPENSE *(Continued)*

Other than the above-mentioned subsidiaries, certain PRC subsidiaries (2021: Gangliangao Hainan) are eligible as a small low-profit enterprise and is subject to the preferential tax treatment for the year ended 30 June 2022. The portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% of taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 25% of taxable income amount, and be subject to enterprise income tax at 20% tax rate.

No Hong Kong profits tax has been provided as the Group has no assessable profit for the years ended 30 June 2022 and 2021. As at 30 June 2022 and 2021, the Group has tax losses of approximately RM4,982,000 (2021: RM4,210,000) 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 2022 and 2021 can be reconciled to the profit before income tax expense per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RM'000	2021 RM'000
Profit before income tax expense	<b>13,492</b>	2,197
Tax calculated at Malaysian statutory corporate tax rate	<b>3,238</b>	527
Effect of different tax rates in foreign jurisdictions	<b>(1,060)</b>	211
Tax effect of expenses not deductible for tax purposes	<b>34,744</b>	1,402
Tax effect of revenue not taxable for tax purposes	<b>(34,806)</b>	(558)
Tax effect of tax loss not recognised	<b>415</b>	458
Tax effect of temporary differences not recognised	<b>273</b>	–
Tax concession	<b>(333)</b>	–
Under/(over) provision of income tax expense in respect of prior years	<b>157</b>	(457)
Write-down of deferred tax assets arising from tax losses previously recognised	<b>336</b>	–
Others	<b>(12)</b>	12
Income tax expense	<b>2,952</b>	1,595

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 14. EARNINGS PER SHARE

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

	2022 RM'000	2021 RM'000
<b>Earnings</b>		
Profit for the year attributable to owners of the Company	<b>10,402</b>	602
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>1,000,000,000</b>	1,000,000,000
Effect of dilutive potential ordinary shares:		
— Share options	<b>1,640,371</b>	123,104
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>1,001,640,371</b>	1,000,123,104

The weighted average number of ordinary shares used to calculate the diluted earnings per share amount for the years ended 30 June 2022 and 2021 included the weighted average number of shares deemed to be issued at less than fair value pursuant to options of 10,000,000 shares granted on 12 May 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land RM'000	Freehold land and building RM'000	Leasehold improvements 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
<b>Cost</b>								
At 1 July 2020	8,154	3,080	–	10	14,591	554	16,478	42,867
Additions	300	–	–	–	443	47	–	790
Written off	–	–	–	–	(515)	(214)	(226)	(955)
Translation adjustments	–	–	–	–	–	(1)	–	(1)
Transfer from right-of-use assets upon full settlement of related lease liabilities	–	–	–	–	3,892	–	(3,892)	–
At 30 June 2021 and 1 July 2021	8,454	3,080	–	10	18,411	386	12,360	42,701
Additions	241	–	320	–	251	174	8,113	9,099
Acquired through business combination	–	–	–	–	430	1	–	431
Written off	–	–	–	–	–	–	(226)	(226)
Translation adjustments	–	–	–	–	–	3	–	3
Transfer from right-of-use assets upon full settlement of related lease liabilities	–	–	–	–	4,869	–	(4,869)	–
Transfer to asset held for disposal (Note 21)	(214)	–	–	–	–	–	–	(214)
At 30 June 2022	8,481	3,080	320	10	23,961	564	15,378	51,794

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 15. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	Freehold land RM'000	Freehold land and building RM'000	Leasehold improvements 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
<b>Accumulated depreciation</b>								
At 1 July 2020	–	563	–	9	12,832	244	6,019	19,667
Charge for the year	–	62	–	–	1,182	75	2,381	3,700
Written off	–	–	–	–	(504)	(162)	(226)	(892)
Transfer from right-of-use assets upon full settlement of related lease liabilities	–	–	–	–	3,089	–	(3,089)	–
At 30 June 2021 and 1 July 2021	–	625	–	9	16,599	157	5,085	22,475
Charge for the year	–	61	29	–	1,614	94	3,104	4,902
Written off	–	–	–	–	–	–	(226)	(226)
Translation adjustments	–	–	–	–	–	1	–	1
Transfer from right-of-use assets upon full settlement of related lease liabilities	–	–	–	–	3,243	–	(3,243)	–
At 30 June 2022	–	686	29	9	21,456	252	4,720	27,152
<b>Net carrying amount</b>								
At 30 June 2022	8,481	2,394	291	1	2,505	312	10,658	24,642
At 30 June 2021	8,454	2,455	–	1	1,812	229	7,275	20,226

As at 30 June 2022 and 2021, freehold land, freehold land and buildings, right-of-use assets of the Group with total net carrying amount of RM9,280,000 and RM9,349,000 respectively are pledged to licensed banks as security for credit facilities granted to the Group as disclosed in Note 25.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 15. 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 2020	402	3,039	5,668	1,350	10,459
Depreciation	(5)	(219)	(1,808)	(349)	(2,381)
Transfer to property, plant and equipment	–	–	(385)	(418)	(803)
At 30 June 2021 and 1 July 2021	397	2,820	3,475	583	7,275
Additions	478	7,635	–	–	8,113
Depreciation	(125)	(1,807)	(1,056)	(116)	(3,104)
Transfer to property, plant and equipment	–	–	(1,159)	(467)	(1,626)
At 30 June 2022	750	8,648	1,260	–	10,658

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

	2022 RM'000	2021 RM'000
Depreciation charge of right-of-use assets	<b>3,104</b>	2,381
Interest on lease liabilities (Note 9)	<b>316</b>	275
Expense relating to short-term leases	<b>2,453</b>	2,358
	<b>5,873</b>	5,014

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 16. INTANGIBLE ASSETS

	Safety production licenses RM'000	Construction qualification certificates RM'000	Incomplete construction contracts RM'000	Total RM'000
<b>Cost</b>				
Acquired through business combination	110	489	12	611
At 30 June 2022	110	489	12	611
<b>Accumulated amortisation</b>				
Charge for the year	8	20	6	34
At 30 June 2022	8	20	6	34
<b>Net book value</b>				
At 30 June 2022	102	469	6	577

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 17. INTEREST IN AN ASSOCIATE

	2022 RM'000	2021 RM'000
Share of net assets	121	268

Details of the Group's associate are as follows:

Name of associate	Form of business structure	Place and date of incorporation	Place of operation	Issued and fully paid-up capital	Effective interest held by the Company		Principal activities
					2022	2021	
OME Diversified Sdn. Bhd. ("OME Diversified")	Incorporated	Malaysia 8 May 2020	Malaysia	RM1,001,000	49%	49%	General contractors

On 1 October 2020, the Group acquired 49% equity interest in OME Diversified from an independent third party for a cash consideration of RM450,000.

The summarised financial information of the associate, adjusted for any differences in accounting policies, and a reconciliation to the carrying amount in the consolidated financial statements, are as follows:

	2022 RM'000	2021 RM'000
<b>As at 30 June</b>		
Non-current assets	480	573
Current assets	115	66
Current liabilities	(348)	(92)
Net assets	247	547
Group's share of net assets of the associate	121	268

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 17. INTEREST IN AN ASSOCIATE *(Continued)*

	For the year ended 30 June 2022 RM'000	From acquisition date to 30 June 2021 RM'000
Revenue	876	539
Expenses	(1,177)	(912)
Loss before income tax expense	(301)	(373)
Income tax expense	–	–
Loss for the year/period	(301)	(373)

## 18. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2022 RM'000	2021 RM'000
Trade receivables	42,895	24,340
Less: Allowance for impairment losses	(930)	(583)
	41,965	23,757
Advances paid to subcontractors and suppliers	60,269	3,875
Less: Allowance for impairment losses	(1,298)	–
	58,971	3,875
Other receivables	248	80
Deposits	898	3,204
Prepayments	214	625
	102,296	31,541

Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 7 days to 180 days from date of invoice. They are recognised at their original invoice amounts, which represent their fair values on initial recognition.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 18. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

(Continued)

The ageing analysis of trade receivables, based on invoice dates, as at 30 June 2022 and 2021 are as follows:

	2022 RM'000	2021 RM'000
1 to 90 days	33,164	16,922
91 to 180 days	5,208	5,557
181 to 270 days	646	1,861
271 to 360 days	3,296	–
Over 360 days	581	–
	<b>42,895</b>	24,340

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 2022 and 2021, a provision of RM347,000 and RM221,000 was made against the gross amounts of trade receivables, respectively.

## 19. CONTRACT ASSETS

	2022 RM'000	2021 RM'000
Contract assets	30,870	23,874
Less: Allowance for impairment losses	(824)	(823)
	<b>30,046</b>	23,051

As at 30 June 2022 and 30 June 2021, included in contract assets were accrued billings totalling RM23,419,000 and RM10,123,000 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 2022 increased as compared to the balance as at 30 June 2021 because of the net effect of more contract works performed due to the acquisition of the PRC subsidiary engaging in civil and structural works and less contract works performed due to the intense competition for available contract works in Malaysia during the financial year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 19. CONTRACT ASSETS *(Continued)*

As at 30 June 2022 and 2021, retention money for contract works amounted to RM7,451,000 and RM13,751,000, 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 2022 decreased since the value of the projects carried out during the year ended 30 June 2022 was lower than 2021. Further, part of the retention money as at 30 June 2021 was collected during the year ended 30 June 2022 after the expiry of the defect liability period. The retention money is to be settled, based on the completion of the defects liability period at the end of each reporting period as follows:

	2022 RM'000	2021 RM'000
Within one year	5,204	9,259
After one year	2,247	4,492
	<b>7,451</b>	13,751

The Group applies the simplified approach to provide for ECLs prescribed by IFRS 9. During the years ended 30 June 2022 and 2021, a provision of RM1,000 and RM558,000 was made against the gross amounts of contract assets, respectively.

## 20. CASH AND CASH EQUIVALENTS

	2022 RM'000	2021 RM'000
Cash and bank balances	56,932	51,843
Balance with a financial institution	17,622	20,772
	<b>74,554</b>	72,615
Less: Allowance for impairment losses	<b>(398)</b>	–
	<b>74,156</b>	72,615

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 20. CASH AND CASH EQUIVALENTS *(Continued)*

The balances with banks and a financial institution 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. During the year ended 30 June 2022, the Group provided for ECLs of RM398,000 (2021: Nil) against the balance with a financial institution. 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:

	2022 RM'000	2021 RM'000
RM	13,340	4,162
United States Dollar ("USD")	21,653	20,772
Renminbi ("RMB")	19,415	5,535
HK\$	19,748	42,146
	<b>74,156</b>	72,615

RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

## 21. ASSET HELD FOR DISPOSAL

	2022 RM'000	2021 RM'000
As at 1 July	–	–
Transfer from freehold land (Note 15)	214	–
As at 30 June	214	–

During the year ended 30 June 2022, freehold land with net carrying amount of RM214,000 was transferred to asset held for disposal. Upon the transfer, such freehold land has been measured at the lower of net carrying amount and fair value less cost to sell based on the expected sales price. There is no impairment loss identified in respect of the transfer and so asset held for disposal recognised for the freehold land amounted to RM214,000.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 22. TRADE AND OTHER PAYABLES

	2022 RM'000	2021 RM'000
Trade payables	13,516	7,504
Retention payables	3,506	4,534
Accruals	2,805	1,827
Provision for onerous contracts	167	–
Other payables	2,975	156
	<b>22,969</b>	14,021

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 2022 and 2021 are as follows:

	2022 RM'000	2021 RM'000
Within 30 days	10,086	2,344
31 to 60 days	769	1,172
61 to 90 days	1,346	154
Over 90 days	1,315	3,834
	<b>13,516</b>	7,504

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 22. TRADE AND OTHER PAYABLES *(Continued)*

As at 30 June 2022, the Group recognised a provision of RM167,000 (2021: Nil) for onerous contracts relating to construction contracts. Movements in the provision for onerous contracts are as follows:

	2022 RM'000	2021 RM'000
As at 1 July	–	–
Provision for the year (Note 10)	<b>167</b>	–
As at 30 June	<b>167</b>	–

## 23. CONTRACT LIABILITIES

The Group recognised the following revenue-related contract liabilities, which represented the unsatisfied performance obligation as at 30 June 2022 and 2021 and will be expected to be recognised within one year:

	2022 RM'000	2021 RM'000
Trading of oil and related products	<b>53,131</b>	3,884
Sublease rental income received in advance	<b>604</b>	–
Total	<b>53,735</b>	3,884

It represented amounts received from customers in advance in relation to trading of oil and related products and the subleasing. The amounts of revenue from trading of oil and related products are recognised when control of the goods has transferred which is upon the delivery of the related goods to the customers. Sublease rental income is recognised on a straight line basis over the term of the lease.

Movements in contract liabilities are as follows:

	2022 RM'000	2021 RM'000
As at 1 July	<b>3,884</b>	–
Decrease in contract liabilities as a result of recognising revenue during the year which was included in the contract liabilities at the beginning of the year	<b>(3,884)</b>	–
Increase in contract liabilities as a result of receiving deposits	<b>53,735</b>	3,884
As at 30 June	<b>53,735</b>	3,884

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 24. LEASE LIABILITIES

### Nature of leasing activities (in the capacity as lessee)

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

During the years ended 30 June 2022 and 2021, the Group acquired certain plant, machinery and motor vehicles under leasing arrangements.

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

	2022		2021	
	Present value RM'000	Minimum lease payments RM'000	Present value RM'000	Minimum lease payments RM'000
Not later than one year	3,878	4,138	1,767	1,912
Later than one year but not later than two years	2,917	2,999	900	972
Later than two years but not later than five years	482	489	460	515
	<b>7,277</b>	<b>7,626</b>	<b>3,127</b>	<b>3,399</b>
Less: total future interest expenses		<b>(349)</b>		<b>(272)</b>
Present value of lease liabilities		<b>7,277</b>		<b>3,127</b>

The present value of future lease payments are analysed as:

	2022 RM'000	2021 RM'000
Current liabilities	3,878	1,767
Non-current liabilities	3,399	1,360
	<b>7,277</b>	<b>3,127</b>

As at 30 June 2022, the carrying amounts of lease liabilities are denominated in RM and RMB (2021: RM).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 25. BANK BORROWINGS

	2022 RM'000	2021 RM'000
Term loans (secured) (Notes (a) and (b))	1,661	2,502
Banker's acceptances (secured) (Note (d))	2,168	2,363
	<b>3,829</b>	4,865
Borrowings are repayable as follows:		
— within one year	2,614	2,891
— after one year but within two years	475	534
— after two years but within five years	369	871
— after five years	371	569
	<b>3,829</b>	4,865
Amount due within one year included in current liabilities	2,614	2,891
Amount include in non-current liabilities	1,215	1,974

Notes:

- (a) The interest rate profile of term loans is set out in Note 41(a).

As at 30 June 2022 and 2021, term loans are secured by the legal charges over certain freehold land and building, right-of-use assets of the Group with net carrying amount of RM6,974,000 and RM7,836,000, respectively.

- (b) As at 30 June 2022 and 2021, 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 RM1,215,000 and RM1,974,000, 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 2022 and 2021 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 25. BANK BORROWINGS *(Continued)*

Notes: (Continued)

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

- (i) As at 30 June 2022 and 2021, fixed charges over certain freehold land and building, right-of-use assets of the Group with net carrying amount of RM5,684,000 and RM7,036,000, respectively.
- (ii) As at 30 June 2021, corporate guarantee of RM31,222,000 provided by the Company.

(d) Banker's acceptances are secured by:

- (i) As at 30 June 2022 and 2021, fixed charges over certain freehold land and building, right-of-use assets of the Group with net carrying amount of RM6,323,000 and RM6,854,000, respectively.
- (ii) As at 30 June 2022 and 2021, pledge of the Group's fixed deposits of RM6,304,000 and RM6,180,000, respectively.
- (iii) The interest rate profile of banker's acceptances is set out in Note 41(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 2022 and 2021, the carrying amounts of bank borrowings are denominated in RM.

## 26. AMOUNT DUE FROM AN ASSOCIATE

The amount due from an associate as at 30 June 2022 is non-trade in nature, unsecured, interest-free and repayable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 27. 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 2022 and 2021 are as follows:

	<b>Accelerated depreciation and industrial building allowances</b>	<b>Deductible temporary differences</b>	<b>Total</b>
	RM'000	RM'000	RM'000
At 1 July 2020	(479)	780	301
Recognised in profit or loss (Note 13)	464	(444)	20
At 30 June 2021 and 1 July 2021	(15)	336	321
Recognised in profit or loss (Note 13)	12	(336)	(324)
At 30 June 2022	(3)	–	(3)

At 30 June 2022 and 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in the PRC. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. As at 30 June 2022, the aggregate temporary differences associated with investments in subsidiaries in the PRC for which deferred tax liabilities have not been recognised amounted to RM637,000 (2021: RM14,000).

## 28. SHARE CAPITAL

	<b>Number</b>	<b>Amount</b>	<b>Amount</b>
		HK\$	RM'000
Ordinary shares of par value of HK\$0.01 each			
<b>Authorised</b>			
At 1 July 2020, 30 June 2021 and 30 June 2022	10,000,000,000	100,000,000	53,000
Ordinary shares of par value of HK\$0.01 each			
<b>Issued and fully paid</b>			
At 1 July 2020, 30 June 2021 and 30 June 2022	1,000,000,000	10,000,000	5,300

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 29. RESERVES

### The Group

The amount of the Group's reserves and movements are presented in the consolidated statement of changes in equity on page 67.

### The Company

	Share premium RM'000	Share option reserve RM'000	Contributed surplus RM'000	Exchange translation reserve RM'000	Accumulated losses RM'000	Total RM'000
At 1 July 2020	51,793	–	83,285	1,682	(16,560)	120,200
Other comprehensive income	–	–	–	(1,536)	–	(1,536)
Equity settled share-based transactions (Note 31)	–	845	–	–	–	845
Loss for the year	–	–	–	–	(1,975)	(1,975)
At 30 June 2021 and 1 July 2021	51,793	845	83,285	146	(18,535)	117,534
Other comprehensive income	–	–	–	2,116	–	2,116
Loss for the year	–	–	–	–	(3,282)	(3,282)
At 30 June 2022	51,793	845	83,285	2,262	(21,817)	116,368

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.

## 30. DIVIDEND

No dividend was paid or proposed during the years ended 30 June 2022 and 2021, nor has any dividend been proposed since the end of the reporting period.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 31. SHARE-BASED PAYMENT

### 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 board of 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 Company’s 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 Company’s 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) will not be counted for the purpose of calculating the limit as refreshed. Subject to the rules of the Share Option Scheme, option may be exercised in whole or in part by the grantee at any time before the expiry of the period to be determined and notified by the Board to the grantee which in any event shall not be longer than 10 years commencing on the date of the offer letter and expiring on the last day of such 10-year period.

On 12 May 2021, a total of 10,000,000 share options were granted to an employee of the Group and a director of subsidiaries of the Company with exercise price of HK\$0.35 per share. The closing price at the date of grant was HK\$0.34 per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 31. SHARE-BASED PAYMENT *(Continued)*

The movements in the number of share options during the years ended 30 June 2022 and 2021 were as follows:

Date of offer of grant	At 1 July 2020	Granted during the year	At 30 June 2021 and 2022	Exercise price		Closing price at date of offer of grant		Exercise period	Vesting period
				HK\$	RM	HK\$	RM		
				12 May 2021	–	10,000,000	10,000,000		

There was no exercise of share options during the years ended 30 June 2022 and 2021 and 10,000,000 share options were exercisable at 30 June 2022 and 2021.

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted was measured based on Binomial model. The contractual life of the share options and expectations of early exercise of the share options were incorporated into the model.

Fair value of share options and assumptions:

	<b>Offer of grant on 12 May 2021</b>
Share price at the date of offer of grant	HK\$0.34 (equivalent to RM0.18)
Exercise price	HK\$0.35 (equivalent to RM0.19)
Expected volatility	66.39%
Expected life	5 years
Expected dividend rate	0%
Risk-free interest rate	0.649%

The expected volatility is based on the historical 5-year daily price volatility of comparable listed companies. This is because the shares were listed on 30 September 2019 and so historical 5-year daily price volatility of the shares was not available. The risk-free interest rate is based on yield of Hong Kong Government Bond.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 31. SHARE-BASED PAYMENT *(Continued)*

According to the rules of the Share Option Scheme, the options accepted by the grantees can be exercised in whole or in part at any time commencing on 12 May 2021 and expiring on 11 May 2026. Based on this rule, all the share options can be exercised as at 30 June 2021 and therefore the fair value of share options was recognised in full for the year ended 30 June 2021.

No equity-settled share-based payment expense was recognised during the year ended 30 June 2022 (2021: RM845,000).

## 32. ACQUISITION OF A SUBSIDIARY

On 13 April 2022, the Group entered into an equity transfer agreement with an independent third party in relation to its acquisition of 75% equity interest in 青島鑫弘耀建設科技有限公司 (Qingdao Xinhongyao Construction Technology Company Limited) (“**Xinhongyao Construction**”), a company engaged in the provision of civil and structural works in the PRC, for a consideration of RMB1 (equivalent to approximately RM0.66).

The assets and liabilities of the acquired subsidiary as at the date of acquisition of 29 April 2022 were as follows:

	RM'000
Property, plant and equipment	431
Intangible assets — licenses and certificates	599
Intangible assets — incomplete construction contracts	12
Inventories	24
Trade and other receivables	3,894
Contract assets	1,241
Cash at bank	1,586
Trade and other payables	(5,445)
Amount due to a director	(130)
Amount due to a related company	(1,056)
Tax payable	(2)
Net identifiable assets	1,154
Less: Capital paid by non-controlling interests	(1,129)
Non-controlling interests' share of reserves	(6)
Net identifiable assets acquired by the Group	19

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 32. ACQUISITION OF A SUBSIDIARY (Continued)

Gain on bargain purchase arising from the acquisition:

	RM'000
Cash consideration paid	_*
Less: Net identifiable assets acquired by the Group at the acquisition date	19
Gain on bargain purchase	19

\* Represents amount less than RM1,000

None of the negative goodwill is expected to be taxable for tax purposes.

Net cash inflow arising from the acquisition:

	RM'000
Cash consideration paid	_*
Less: Cash and cash equivalents acquired	1,586
Total net cash inflow for the year ended 30 June 2022	1,586

Notes:

**(i) Acquired receivables**

The fair value of acquired trade receivables is RM1,771,000. The gross contractual amount for trade receivables due is RM1,847,000, with a loss allowance of RM76,000 recognised on acquisition.

**(ii) Acquisition-related costs**

Acquisition-related costs of RM242,000 were included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 30 June 2022.

**(iii) Revenue and profit contribution**

Xinhongyao Construction contributed revenue of approximately RM14 million and profit before income tax of approximately RM0.6 million to the Group for the period from 30 April 2022 to 30 June 2022.

If the acquisition had occurred on 1 July 2021, the revenue and profit before income tax for the year ended 30 June 2022 would have been approximately RM832 million and RM14 million, respectively.

**(iv) Non-controlling interests**

The Group recognises the non-controlling interests in Xinhongyao Construction at its proportionate share of the net identifiable assets acquired. See Note 4(a) for the Group's accounting policies for business combination.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 33. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2022 RM'000	2021 RM'000
<b>Non-current asset</b>			
Interests in subsidiaries	34	83,302	83,293
<b>Current assets</b>			
Prepayments		50	125
Amounts due from subsidiaries		50,780	30,216
Cash and cash equivalents		1,879	22,906
		<b>52,709</b>	53,247
<b>Current liabilities</b>			
Accruals and other payables		328	450
Amounts due to subsidiaries		14,015	13,256
		<b>14,343</b>	13,706
<b>Net current assets</b>		<b>38,366</b>	39,541
<b>NET ASSETS</b>		<b>121,668</b>	122,834
<b>Equity</b>			
Share capital	28	5,300	5,300
Reserves	29	116,368	117,534
<b>TOTAL EQUITY</b>		<b>121,668</b>	122,834

On behalf of the Board

**Tan Han Peng**  
Director

**Tan Hun Tiong**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 34. 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		Principal activities
				2022	2021	
<b>Directly held:</b>						
TBKS Investments	British Virgin Islands ("BVI") 17 July 2018	BVI	USD100	100%	100%	Investment holding
Union Top Investment Holding Limited	BVI 1 December 2020	BVI	USD1,000	100%	100%	Investment holding
Sheen Bright Engineering Holding Limited	BVI 25 May 2021	BVI	USD1,000	100%	100%	Investment holding
Century Tranquil Investment Holding Limited	BVI 9 March 2022	BVI	USD 1,000	100%	N/A	Investment holding
Grand Winner Investment Holding Limited	BVI 15 October 2021	BVI	USD 1,000	100%	N/A	Investment holding
<b>Indirectly held:</b>						
TBKS Holding Sdn Bhd	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
Union Top Energy (Hong Kong) Limited	Hong Kong 30 December 2020	Hong Kong	HK\$10,000	100%	100%	Trading of oil and related products
港聯高能源(海南)有限公司 Gangliangao Hainan**	PRC 29 March 2021	PRC	RMB12,496,500*	100%	100%	Trading of oil and related products
Sheen Bright Engineering Limited	Hong Kong 11 January 2021	Hong Kong	HK\$1	100%	100%	Dormant

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 34. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiaries	Place and date of incorporation	Place of operation	Issued and fully paid-up capital	Effective interest held by the Company		Principal activities
				2022	2021	
港聯高能源(青島)有限公司 Gangliangao Energy (Qingdao) Company Limited ("Gangliangao Qingdao")*#	PRC 10 September 2021	PRC	RMB3,100,000 <sup>^</sup>	100%	N/A	Trading of oil and related products
聯高能源(山東)有限公司 Liangao Shandong*#	PRC 9 October 2021	PRC	USD 1,522,525 <sup>^</sup>	100%	N/A	Trading of oil and related products
泰科華岳科技工程(青島)有限公司 Taikehuayue Technology & Engineering (Qingdao) Company Limited ("Taikehuayue")*#	PRC 11 March 2022	PRC	USD 999,800 <sup>^</sup>	100%	N/A	Investment holding
中盛輝(北京)工程技術有限公司 Zhongshenghui (Beijing) Engineering Technology Company Limited ("Zhongshenghui")*#	PRC 27 May 2022	PRC	— <sup>^</sup>	100%	N/A	Dormant
青島鑫弘耀建設科技有限公司 Xinhongyao Construction*#	PRC 16 March 2021	PRC	RMB1,710,000 <sup>^</sup>	75%	N/A	Civil and structural works contractor
Century Tranquil (Hong Kong) Investment Holding Limited	Hong Kong 13 April 2022	Hong Kong	HK\$10,000	100%	N/A	Dormant
Grand Winner (Hong Kong) Investment Holding Limited	Hong Kong 13 April 2022	Hong Kong	HK\$10,000	100%	N/A	Dormant

\* The English name is for identification only. The official name of the company is in Chinese.

# The legal entity is wholly-foreign owned enterprise.

<sup>^</sup> The authorised/registered capital for Gangliangao Hainan, Gangliangao Qingdao, Liangao Shandong, Taikehuayue, Zhongshenghui and Xinhongyao Construction as at 30 June 2022 was RMB13,000,000, RMB10,000,000, USD40,000,000, USD40,000,000, RMB20,000,000 and RMB20,000,000 respectively.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 35. NON-CONTROLLING INTERESTS

Xinhongyao Construction, a 75% owned subsidiary of the Group, has material non-controlling interests (“NCI”).

Summarised financial information in relation to Xinhongyao Construction, before intra-group eliminations, is presented below together with amounts attributable to NCI:

	2022 RM'000
NCI percentage	25%
Non-current assets	983
Current assets	16,521
Non-current liabilities	–
Current liabilities	(15,808)
Net assets	1,696
Net assets attributable to NCI	1,273

	From acquisition date to 30 June 2022 RM'000
Revenue	14,199
Profit for the year	554
Total comprehensive income	–
Profit allocated to NCI	138
Other comprehensive income allocated to NCI	–
Dividend paid to NCI	–

	2022 RM'000
Cash flows from operating activities	(1,420)
Cash flows from investing activities	–
Cash flows from financing activities	–
Net cash outflows	(1,420)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 36. RELATED PARTY TRANSACTIONS

(a) The Group had the following transaction with related party during the year:

Name of related party	Relationship	Nature of transaction	Amount	
			2022 RM'000	2021 RM'000
OME Diversified	Associate	Sub-contracting charges	820	539

The related party transaction described above was carried out based on negotiated terms and conditions agreed with the related party.

### (b) Compensation of key management

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

## 37. CONTINGENT LIABILITIES

As at 30 June 2022 and 2021, the Group did not have any significant contingent liabilities.

## 38. PERFORMANCE GUARANTEES

As at 30 June 2022 and 2021, performance guarantees of RM1,361,000 and RM1,715,000, 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:

- As at 30 June 2022 and 2021, legal charges over the Group's properties with net carrying amount of RM6,323,000 and RM6,854,000, respectively;
- As at 30 June 2021, corporate guarantee of RM31,222,000 provided by the Company;
- As at 30 June 2022 and 2021, pledge of the Group's fixed deposits and bank balances of RM6,325,000 and RM14,640,000, respectively; and
- 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 39. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Major non-cash transaction

During the year ended 30 June 2022, the Group had non-cash additions to right-of-use assets and lease liabilities of RM8,113,000 in respect of lease arrangements for land and office premises.

### 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.

	Lease liabilities RM'000	Bank borrowings RM'000	Total RM'000
At 1 July 2021	3,127	4,865	7,992
Changes from cash flows:			
Interest paid on lease liabilities	(316)	–	(316)
Interest paid on bank borrowings	–	(180)	(180)
Repayment of lease liabilities	(3,963)	–	(3,963)
Proceeds from bank borrowings	–	2,168	2,168
Repayment of bank borrowings	–	(3,204)	(3,204)
Total changes from financing cash flows:	(4,279)	(1,216)	(5,495)
Other changes:			
Increase of lease liabilities from entering into new leases during the year	8,113	–	8,113
Interest on lease liabilities	316	–	316
Interest on bank borrowings	–	180	180
Total other changes	8,429	180	8,609
At 30 June 2022	7,277	3,829	11,106

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

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

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

	<b>Lease liabilities</b>	<b>Bank borrowings</b>	<b>Total</b>
	RM'000	RM'000	RM'000
At 1 July 2020	6,235	3,013	9,248
Changes from cash flows:			
Interest paid on lease liabilities	(275)	–	(275)
Interest paid on bank borrowings	–	(169)	(169)
Repayment of lease liabilities	(3,108)	–	(3,108)
Proceeds from bank borrowings	–	2,363	2,363
Repayment of bank borrowings	–	(511)	(511)
Total changes from financing cash flows:	(3,383)	1,683	(1,700)
Other changes:			
Interest on lease liabilities	275	–	275
Interest on bank borrowings	–	169	169
Total other changes	275	169	444
At 30 June 2021	3,127	4,865	7,992

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 40. 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 2022 and 2021.

The Group monitors capital by actively managing the level of gearing ratio which is total debt (bank borrowings and lease liabilities) divided by total equity. The gearing ratio at the end of each reporting period was as follows:

	2022 RM'000	2021 RM'000
Total debt	11,106	7,992
Total equity	152,839	138,710
Gearing ratio	7%	6%

## 41. 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 and currency 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 41. FINANCIAL RISK MANAGEMENT *(Continued)*

### (a) Interest rate risk *(Continued)*

	As at 30 June			
	2022		2021	
	Effective interest rate (%)	RM'000	Effective interest rate (%)	RM'000
<b>Fixed rate</b>				
Lease liabilities	2.60–5.83	7,277	2.32–5.83	3,127
Banker's acceptances	3.41–3.66	2,168	3.40–3.43	2,363
Less: Fixed deposits with licensed banks	1.50–3.15	(6,325)	1.25–3.55	(14,640)
Net fixed rate borrowing		3,120		(9,150)
<b>Floating rate</b>				
Term loans	5.75–6.20	1,661	3.27–6.10	2,502
Total net borrowings		4,781		(6,648)
Net fixed rate borrowings as a percentage of total net borrowings		65.3%		N/A

#### *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:

	2022	2021
	RM'000	RM'000
Increase by 0.5%	(6)	(10)
Decrease by 0.5%	6	10

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 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 41. FINANCIAL RISK MANAGEMENT *(Continued)*

### (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.

	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
<b>30 June 2022</b>						
Trade and other payables	22,802	22,802	22,802	–	–	–
Lease liabilities	7,277	7,626	4,138	2,999	489	–
Bank borrowings	3,829	4,140	2,724	537	468	411
	<b>33,908</b>	<b>34,568</b>	<b>29,664</b>	<b>3,536</b>	<b>957</b>	<b>411</b>
Performance guarantees issued (Note 38)	–	1,361	1,361	–	–	–
<b>30 June 2021</b>						
Trade and other payables	14,021	14,021	14,021	–	–	–
Lease liabilities	3,127	3,399	1,912	972	515	–
Bank borrowings	4,865	4,884	2,911	534	871	568
	<b>22,013</b>	<b>22,304</b>	<b>18,844</b>	<b>1,506</b>	<b>1,386</b>	<b>568</b>
Performance guarantees issued (Note 38)	–	1,715	1,715	–	–	–

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 41. 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 and a financial institution. 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 bank balances) is minimal as such amounts are placed in banks with good reputation. During the year ended 30 June 2022, the Group provided for ECLs of RM398,000 (2021: Nil) against the balance with a financial institution.

The ECLs on advances paid to subcontractors and suppliers are estimated by reference to past experience, current market condition and forward-looking information with reference to general macroeconomic conditions. During the year ended 30 June 2022, the Group provided for ECLs of RM1,251,000 (2021: Nil) against the advances paid to subcontractors and suppliers.

At the end of each reporting period, the Group has significant concentration of credit risk as 40.9% (2021: 38.1%) and 88.3% (2021: 80.6%) 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 and 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 41. FINANCIAL RISK MANAGEMENT *(Continued)*

### (c) Credit risk *(Continued)*

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

As at 30 June 2022	Weighted average lifetime ECL rate	Gross carrying amount RM'000	Lifetime ECLs RM'000	Net carrying amount RM'000
<b>Trade receivables</b>				
Collective assessment				
Not past due	0.81%	10,151	(83)	10,068
Past due				
1–90 days	3.27%	669	(22)	647
91–180 days	5.61%	277	(15)	262
181–270 days	36.70%	148	(54)	94
Individual assessment	2.39%	31,650	(756)	30,894
		<b>42,895</b>	<b>(930)</b>	<b>41,965</b>
<b>Contract assets</b>				
Collective assessment	1.62%	18,331	(298)	18,033
Individual assessment	4.19%	12,539	(526)	12,013
		<b>30,870</b>	<b>(824)</b>	<b>30,046</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 41. FINANCIAL RISK MANAGEMENT *(Continued)*

### (c) Credit risk *(Continued)*

As at 30 June 2021	Weighted average lifetime ECL rate	Gross carrying amount RM'000	Lifetime ECLs RM'000	Net carrying amount RM'000
<b>Trade receivables</b>				
Collective assessment				
Not past due	0.70%	5,363	(38)	5,325
Past due				
1–90 days	1.85%	1,915	(35)	1,880
91–180 days	3.50%	14	–	14
181–270 days	4.20%	76	(3)	73
Individual assessment	2.98%	16,972	(507)	16,465
		24,340	(583)	23,757
<b>Contract assets</b>				
Collective assessment	1.04%	8,749	(92)	8,657
Individual assessment	4.83%	15,125	(731)	14,394
		23,874	(823)	23,051

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 41. FINANCIAL RISK MANAGEMENT *(Continued)*

### (c) Credit risk *(Continued)*

As at 30 June 2022 and 2021, the loss allowance provision in respect of trade receivables and contract assets reconciles to the opening loss allowance provision as follows:

	Collectively assessed RM'000	Individually assessed RM'000	Total RM'000
Balance as at 1 July 2020	277	350	627
Provision for loss allowance recognised in profit or loss	–	888	888
Reversal of impairment loss	(109)	–	(109)
Balance as at 30 June 2021	168	1,238	1,406
Balance as at 1 July 2021	<b>168</b>	<b>1,238</b>	<b>1,406</b>
Provision for loss allowance recognised in profit or loss	<b>304</b>	<b>44</b>	<b>348</b>
Balance as at 30 June 2022	<b>472</b>	<b>1,282</b>	<b>1,754</b>

### (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.

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.

	2022 RM'000	2021 RM'000
<i>Assets denominated in USD</i>		
Cash and cash equivalents	<b>21,653</b>	20,772

If the exchange rate of USD against RM had appreciated/depreciated by 5%, profit for the year would increase/decrease by RM1,083,000 (2021: RM1,039,000), respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2022

## 42. 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 2022 and 2021 are categorised as follows:

	As at 30 June	
	2022 RM'000	2021 RM'000
<b>Financial assets</b>		
Financial assets at amortised cost		
Trade receivables, other receivables and deposits	102,082	30,916
Amount due from an associate	54	–
Pledged time deposits and bank balances	6,325	14,640
Cash and cash equivalents	74,156	72,615
<b>Financial liabilities</b>		
Financial liabilities at amortised cost		
Trade and other payables	22,802	14,021
Lease liabilities	7,277	3,127
Bank borrowings	3,829	4,865

The carrying values of the Group's financial assets and financial liabilities at amortised cost (including current portion of lease liabilities 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 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 and bank borrowings as at 30 June 2022 and 2021 was assessed to be insignificant. The carrying values of the non-current portion of lease liabilities and bank borrowings also approximate their fair values as at 30 June 2022 and 2021.

## 43. EVENT AFTER THE REPORTING PERIOD

Except for the continuous impact of the Covid-19 pandemic as disclosed in the sections headed "Chairman's Statement" and "Management Discussion and Analysis" of this annual report, the management of the Group is not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2022 and up to the date of this annual report.

## 44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the directors on 27 September 2022.

# 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 is set out below.

## RESULTS

	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Revenue	146,241	194,017	151,147	189,081	<b>825,908</b>
Cost of sales	(114,146)	(152,664)	(117,115)	(175,784)	<b>(795,026)</b>
Gross profit	32,095	41,353	34,032	13,297	<b>30,882</b>
Other income/(expenses), net	(143)	408	5,273	2,685	<b>2,289</b>
Selling and distribution expenses	–	–	–	–	<b>(1,318)</b>
Administrative expenses	(6,024)	(7,638)	(16,808)	(13,118)	<b>(17,718)</b>
Finance costs	(1,129)	(1,022)	(822)	(485)	<b>(496)</b>
Listing expenses	–	(8,226)	(3,838)	–	<b>–</b>
Share of loss of an associate, net of tax	–	–	–	(182)	<b>(147)</b>
Profit before income tax expense	24,799	24,875	17,837	2,197	<b>13,492</b>
Income tax expense	(6,476)	(8,545)	(5,692)	(1,595)	<b>(2,952)</b>
Profit for the year	18,323	16,330	12,145	602	<b>10,540</b>
<b>Attributable to:</b>					
Owners of the Company	18,323	16,330	12,145	602	<b>10,402</b>
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Total assets	89,221	148,558	183,191	164,614	<b>241,378</b>
Total liabilities	(42,853)	(80,710)	(43,596)	(25,904)	<b>(88,539)</b>
Total equity	46,368	67,848	139,595	138,710	<b>152,839</b>
Non-controlling interests	–	–	–	–	<b>1,273</b>