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TBK & Sons Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1960)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus of TBK & Sons Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 16 September 2019 (the “**Prospectus**”), the announcement of the Company dated 27 September 2019, the annual report of the Company for the year ended 30 June 2019 published on 25 October 2019 (the “**2019 Annual Report**”) and the annual report of the Company for the year ended 30 June 2021 published on 27 October 2021 (the “**2021 Annual Report**”). Unless the context otherwise requires, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the 2021 Annual Report.

PLANNED 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 (the “**Net Proceeds**”). As disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus and the section headed “Management Discussion and Analysis” in the 2019 Annual Report, the Net Proceeds were intended to be applied by the Group for the following purposes (adjusted on a pro-rata basis according to the final Offer Price and the actual Net Proceeds received):

- approximately HK\$26.7 million for financing the upfront expenditures of new projects;
- approximately HK\$8.9 million for reserving more capital to satisfy the Group’s potential customers’ requirement for performance bond;
- approximately HK\$13.4 million for expansion of the Group’s workforce;
- approximately HK\$17.8 million for acquisition of additional machinery and equipment;
- approximately HK\$13.4 million for acquisition of potential suitable companies and business; and
- approximately HK\$4.8 million for general working capital and other general corporate purposes.

CHANGE IN USE OF PROCEEDS

As at the date of this announcement, the unutilised Net Proceeds amounted to approximately HK\$75.1 million (the “**Unutilised Net Proceeds**”).

For reasons set out in the paragraph headed “Reasons for change in use of proceeds” below, the Board has resolved to change the allocation of the Unutilised Net Proceeds as follows:

	Original allocation of the Net Proceeds disclosed in the Prospectus and the 2019 Annual Report <i>HK\$'million</i> (Approximate)	Utilised amount of the Net Proceeds as at the date of this announcement <i>HK\$'million</i> (Approximate)	Unutilised Net Proceeds as at the date of this announcement <i>HK\$'million</i> (Approximate)	Revised allocation of the Unutilised Net Proceeds <i>HK\$'million</i> (Approximate)
Reserving more capital to satisfy the Group’s potential customers’ requirement for performance bond	8.9	—	8.9	—
Expansion of the Group’s workforce	13.4	—	13.4	—
Acquisition of additional machinery and equipment	17.8	—	17.8	—
Financing the upfront expenditures of new projects	26.7	5.1	21.6	13.0
Acquisition of potential suitable companies and business	13.4	—	13.4	—
General working capital	4.8	4.8	—	12.1
Expansion and development of the Oil Trading Business (as defined below)	—	—	—	40.0
Future investment opportunities in project(s) including but not limited to petrochemical, mineral resources, natural resources, financial investment and oil logistics	—	—	—	10.0
	<u>85.0</u>	<u>9.9</u>	<u>75.1</u>	<u>75.1</u>

The Unutilised Net Proceeds is expected to be fully utilised within 12 months from the date of this announcement. 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.

REASONS FOR CHANGE IN USE OF PROCEEDS

Since the end of year 2019, the COVID-19 pandemic continues to spread around the world disrupting large parts of the global economy and forcing some countries to completely shut down all but the essential services. Various precautionary measures had been implemented by the Malaysian Government to minimise the adverse impact of the COVID-19, including the enforcement of CMCO in different states and cities in Malaysia in October 2020 which included the restriction of inter district travelling, shortening of operating hours for businesses and closure of entertainment and recreational outlets. In early November 2020, the Malaysian health authorities found that the risk of COVID-19 infection has not abated and the CMCO was further extended till the end of 31 December 2020 in some districts with certain restrictions were uplifted. It was further announced on 1 January 2021 by the Malaysian Government that the RMCO has been extended to 31 March 2021 as cases are still high. Following a short reprieve, the daily new cases continued to spike in Malaysia and the Malaysian Government declared a FMCO on 28 May 2021. Under the FMCO, which is the strictest of all MCO's, prohibits inter-district and inter-state travelling and imposed closure of all non-essential industries. The daily new cases hit a new high of 24,599 on 26 August 2021 and has since then been trending downwards. The FMCO has also been relaxed and almost all industries are allowed to re-commence operations. However, the new COVID-19 variant "Omicron" was detected in Africa in November 2021 and has quickly spread across the world and cause infections. COVID-19 continues to affect Malaysia and it remains uncertain how long the COVID-19 crisis will last.

As disclosed in the 2021 Annual Report, the original expected timeline of the unutilised Net Proceeds in respect of the acquisition of business of approximately HK\$13.4 million was 30 June 2021. However, the Net Proceeds have not yet been utilised as planned within the expected timeframe mainly as the COVID-19 pandemic and the MCO has had significant impact on the construction industry in Malaysia, with precautionary measures such as (i) closure of worksites and headquarters; (ii) interruption of operations due to standard operating procedures required to be implemented; and (iii) negative impact on the demand for the Group's civil and structural works. As such, the Group has so far not been able to identify suitable businesses in Malaysia which it may be interested in acquiring as the pandemic has made it difficult for the Group to identify and/or negotiate for the respective acquisitions in Malaysia.

Further, the existing construction business environment remains extremely challenging due to reduced support in the funding for the construction works by bank facilities, limited supply of construction material, increase in material prices, shortage of manpower due to COVID-19, and intense competition in securing new tenders. In addition, the significant reduction of social and business activities and the subsequent quarantine measures have adversely affected the economy in Malaysia, including the slowdown in the progress of construction projects. As a result, some of the Group's projects have been held up or delayed, and contract awards have also been postponed and new projects are deferred. Such influences might continue until the COVID-19 pandemic is contained and this would affect the operational and financial performance of the Group. Accordingly, the Group had not been able to utilise the Net Proceeds to satisfy the Group's potential customers' requirement for performance bond, expand the Group's workforce, acquire additional machinery and equipment, as well as finance the upfront expenditures of new projects as planned.

On the other hand, as disclosed in the 2021 Annual Report, it is the Group's strategy to review its existing businesses and explore other business/investment opportunities from time to time, including but not limited to energy related processing and logistic business with a view to diversifying the business of the Group.

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 2021, the Group had invited Mr. Tang Zhiming and Mr. Chen Da to the Board as executive Directors. With the appointment of Mr. Tang and Mr. Chen, the Board believes that the Group can leverage on their experience and contacts in the international trading business to bring synergy to the Group's civil and structural works in the oil and gas industry and implement new business opportunities to the Group in the Greater China region.

As disclosed in the 2021 Annual Report, in March 2021, the Group successfully commenced the trading of oil and related products (the "**Oil Trading Business**") in the People's Republic of China (the "**PRC**"). Since the commencement of the Oil Trading Business, the Group had recorded promising revenue and operating profit. Given the positive performance from the Oil Trading Business, and to further develop business in areas where the outbreak of the pandemic has generally been under control, the Board has decided to allocate more resources to (i) develop northern PRC market of the Oil Trading Business; (ii) expand its customer base; and (iii) secure a supply of higher quality oil products.

In light of the above, the Board estimated that approximately HK\$40 million from the Unutilised Net Proceeds would be re-allocated for expansion and development of the Oil Trading Business, approximately HK\$10 million from the Unutilised Net Proceeds would be re-allocated for future investment opportunities in project(s) including but not limited to petrochemical, mineral resources, natural resources, financial investment and oil logistics and approximately HK\$12.1 million from the Unutilised Net Proceeds would be re-allocated for general working capital and other general corporate purposes, whereas the amount initially allocated for financing the upfront expenditures of new projects would be reduced to approximately HK\$13.0 million.

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 has been and is expected to continue to benefit the Company and the Shareholders as a whole. In approving the revised use of Net Proceeds, the Board considered the financial performance of the Group in the foreseeable future. The current lockdown policies in Malaysia have significantly slowed down the operations of the Group's construction business, in view of recent high energy prices, the Oil Trading Business commenced in 2021 would be more likely to create economic benefits to the Group.

On the other hand, if the construction industry in Malaysia recovers, the Board will further consider reallocating adequate profits or funding from the Oil Trading Business back to the construction business with an aim to improve the Group's financial performance, on a pro-rata basis with reference to the original allocation of the Net Proceeds disclosed in the Prospectus and the 2019 Annual Report. Further announcement(s) will be made by the Company as and when appropriate in accordance with the Listing Rules.

The Board considers that the reallocation of the Unutilised Net Proceeds will not have any material adverse impact on the existing business and operations of the Group and is in the best interest of the Company and its shareholders as a whole. The Board will closely monitor the development of COVID-19 and continue to evaluate its impact on the operations of the Group and the plans for the use of Unutilised Net Proceeds, and may revise or amend such plans where necessary, to cope with the changing market conditions and strive for better business performance of the Group. Save as disclosed in this announcement, there are no other changes to the use of the Net Proceeds.

Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

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

Hong Kong, 31 January 2022

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