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TBK & Sons Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1960)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 31 DECEMBER 2024

The board (the “**Board**”) of directors (the “**Directors**”) of TBK & Sons Holdings Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the six months ended 31 December 2024 (the “**Period**”) together with the relevant comparative figures as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 31 December 2024

		Six months ended	
		31 December	
		2024	2023
		Unaudited	Unaudited
	<i>Notes</i>	RM’000	RM’000
Revenue	5	44,193	64,699
Cost of sales		(40,270)	(62,067)
Gross profit		3,923	2,632
Other income and gains and losses		(824)	(182)
Selling and distribution expenses		(225)	(450)
Administrative expenses		(9,126)	(10,403)
Impairment loss on trade receivables and contract assets, net		(267)	(1,951)
Reversal of impairment loss on other receivables		36	–
Finance costs	6	(180)	(187)
Share of loss of an associate		(133)	(22)
Loss before income tax expense	7	(6,796)	(10,563)
Income tax expense	8	(4)	(3)
Loss for the period		(6,800)	(10,566)

	Six months ended	
	31 December	
	2024	2023
<i>Notes</i>	Unaudited	Unaudited
	RM'000	RM'000
Other comprehensive income for the period, net of tax:		
<i>Item that will not be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of the Company's financial statements into its presentation currency	55	(25)
<i>Item that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of foreign operations	<u>(2,063)</u>	<u>709</u>
Other comprehensive income for the period	<u>(2,008)</u>	<u>684</u>
Total comprehensive income for the period	<u>(8,808)</u>	<u>(9,882)</u>
Loss attributable to:		
— Owners of the Company	(6,168)	(10,107)
— Non-controlling interests	<u>(632)</u>	<u>(459)</u>
	<u>(6,800)</u>	<u>(10,566)</u>
Total comprehensive income attributable to:		
— Owners of the Company	(8,425)	(9,444)
— Non-controlling interests	<u>(383)</u>	<u>(438)</u>
	<u>(8,808)</u>	<u>(9,882)</u>
Loss per share	9	
— Basic (RM)	(0.62) sen	(1.01) sen
— Diluted (RM)	<u>(0.62) sen</u>	<u>(1.01) sen</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		As at 31 December 2024 Unaudited RM'000	As at 30 June 2024 Audited RM'000
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment		14,303	15,386
Intangible assets		141	234
Interest in an associate		41	174
Deferred tax assets		13	13
		14,498	15,807
Current assets			
Trade receivables, other receivables, deposits and prepayments	<i>11</i>	98,264	76,830
Contract assets	<i>12</i>	35,016	49,918
Pledged time deposits		6,622	6,617
Restricted bank balances		–	450
Cash and cash equivalents		29,739	28,858
Tax recoverable		3,116	3,039
		172,757	165,712
Current liabilities			
Trade and other payables	<i>13</i>	59,058	67,964
Contract liabilities		24,491	–
Lease liabilities		160	826
Bank and other borrowings		3,024	2,988
Tax payable		1,461	1,534
		88,194	73,312
Net current assets		84,563	92,400
Total assets less current liabilities		99,061	108,207

		As at 31 December 2024 Unaudited RM'000	As at 30 June 2024 Audited RM'000
Non-current liabilities			
Bank and other borrowings		<u>637</u>	<u>975</u>
		<u>637</u>	<u>975</u>
NET ASSETS		<u>98,424</u>	<u>107,232</u>
Equity			
Share capital	<i>14</i>	5,300	5,300
Reserves		<u>97,194</u>	<u>105,619</u>
Equity attributable to owners of the Company		102,494	110,919
Non-controlling interests		<u>(4,070)</u>	<u>(3,687)</u>
TOTAL EQUITY		<u>98,424</u>	<u>107,232</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2024

1. GENERAL INFORMATION

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

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

2. BASIS OF PREPARATION AND PRESENTATION

2.1 Basis of preparation

(a) *Statement of compliance*

The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reports issued by International Accounting Standards Board and applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

(b) *Basis of measurement*

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

2.2 Basis of presentation

The condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the annual financial statements for the year ended 30 June 2024 (the "**2024 Financial Statements**") and the amended International Financial Reporting Standards ("**IFRS(s)**") which are effective for the annual period beginning on or after 1 July 2024 and relevant to the Group.

The preparation of the condensed consolidated financial statements in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The condensed consolidated financial statements do not include all the information and disclosures required in the 2024 Financial Statements, and should be read in conjunction with the 2024 Financial Statements.

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

The functional currency of the Company is Hong Kong dollars (“**HK\$**”) while the consolidated financial statements are presented in Malaysian Ringgit (“**RM**”), as in the opinion of the Directors, it presents more relevant information to management who monitors the performance and financial position of the Group based on RM. All values are rounded to the nearest thousand (RM’000) except when otherwise indicated.

3. ADOPTION OF IFRS ACCOUNTING STANDARDS

(a) New or amended IFRS Accounting Standards adopted by the Group

In the current Period, the Group has adopted all new or amended IFRS Accounting Standards which are relevant to the Group’s operations and effective for the consolidated financial statements of the Group for the annual period beginning on 1 July 2024. The new or amended IFRS Accounting Standards had no material impact on the results and financial position of the Group.

(b) New or amended IFRS Accounting Standards that have been issued but are not yet effective

The following new or amended IFRS Accounting Standards, potentially relevant to the consolidated financial statements of the Group, 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 IAS 21	Lack of Exchangeability ¹
Amendments to IFRS 9	Amendments to Classification and Measurement of Financial Instruments ²
IFRS 18	Presentation and Disclosure in Financial Statement ³
IFRS 19	Subsidiaries without Public Accountability Disclosure ³
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴

¹ Effective for annual periods beginning on or after 1 January 2025

² Effective for annual periods beginning on or after 1 January 2026

³ Effective for annual periods beginning on or after 1 January 2027

⁴ The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

4. SEGMENT REPORTING

The Group is principally engaged in civil and structural works in Malaysia and the PRC and trading of oil and related products in the PRC.

One of the executive Directors has been identified as the chief operating decision-maker (“**CODM**”) of the Group who reviews the Group’s internal reporting in order to assess performance of the Group on a regular basis and allocate resources.

(a) Reportable segments

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

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

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

Segment revenue and results

For the six months ended 31 December 2024	Site preparation works projects Unaudited RM'000	Civil works projects Unaudited RM'000	Building works projects Unaudited RM'000	Construction and renovation works projects Unaudited RM'000	Trading of oil and related products Unaudited RM'000	Total Unaudited RM'000
Revenue						
Revenue from external customers	-	35,011	1,059	8,123	-	44,193
Segment cost of sales	-	(31,399)	(946)	(7,925)	-	(40,270)
Gross profit	-	3,612	113	198	-	3,923
Other income and gains and losses						(824)
Selling and distribution expenses						(225)
Administrative expenses						(9,126)
Impairment loss on trade receivables and contract assets, net						(267)
Reversal of impairment loss on other receivables						36
Finance costs						(180)
Share of loss of an associate						(133)
Loss before income tax expenses						(6,796)

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

Other segment information

For the six months ended 31 December 2024	Site preparation works projects Unaudited RM'000	Civil works projects Unaudited RM'000	Building works projects Unaudited RM'000	Construction and renovation works projects Unaudited RM'000	Trading of oil and related products Unaudited RM'000	Total Unaudited RM'000
Depreciation of items of property, plant and equipment						
Operating segments	–	96	3	75	138	312
Amount unallocated						<u>60</u>
						<u>372</u>
Depreciation of items of right-of-use assets						
Operating segments	–	346	10	–	290	646
Amount unallocated						<u>16</u>
						<u>662</u>

For the six months ended 31 December 2023	Site preparation works projects Unaudited RM'000	Civil works projects Unaudited RM'000	Building works projects Unaudited RM'000	Construction and renovation works projects Unaudited RM'000	Trading of oil and related products Unaudited RM'000	Total Unaudited RM'000
Depreciation of items of property, plant and equipment						
Operating segments	29	281	–	76	135	521
Amount unallocated						164
						<u>685</u>
Depreciation of items of right-of-use assets						
Operating segments	52	492	–	–	618	1,162
Amount unallocated						17
						<u>1,179</u>

(b) Geographical information

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

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

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

	Revenue from external customers		Specified non-current assets	
	For the six months ended 31 December 2024 Unaudited RM'000	2023 Unaudited RM'000	As at 31 December 2024 Unaudited RM'000	As at 30 June 2024 Audited RM'000
Hong Kong	–	–	–	3
Malaysia	36,070	31,754	13,805	14,334
PRC	8,123	32,945	498	1,049
	<u>44,193</u>	<u>64,699</u>	<u>14,303</u>	<u>15,386</u>

(c) **Major customers**

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

	Six months ended	
	31 December	
	2024	2023
	Unaudited	Unaudited
	RM'000	RM'000
Civil and Structural Works		
Customer A	17,270	–
Customer B	7,551	N/A
Customer C	N/A	14,970
Customer D	–	8,807
Customer E	6,632	8,527

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

5. REVENUE

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

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

	Six months ended	
	31 December	
	2024	2023
	Unaudited	Unaudited
	RM'000	RM'000
<i>Recognised over time</i>		
Contract revenue	44,193	59,375
<i>Recognised at point in time</i>		
Trading of oil and related products	–	5,324
	44,193	64,699

Civil and structural works represent performance obligations that the Group satisfies over time for each respective contract. The period of civil and structural works varies from 1 to 3 years (2023: 1 to 4 years).

Transaction price allocated to the remaining performance obligations

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

	As at 31 December	
	2024	2023
	Unaudited	Unaudited
	RM'000	RM'000
Provision of civil and structural works	49,053	34,047

Based on the information available to the Group as at the end of each reporting period, the management of the Group expects the transaction price allocated to the above unsatisfied (or partially unsatisfied) contracts as at 31 December 2024 will be recognised as revenue in the next 9 months (2023: in the next 15 months).

6. FINANCE COSTS

	Six months ended	
	31 December	
	2024	2023
	Unaudited	Unaudited
	RM'000	RM'000
Interest on:		
— bank and other borrowings	136	114
— lease liabilities	44	73
	180	187

7. LOSS BEFORE INCOME TAX EXPENSE

	Six months ended	
	31 December	
	2024	2023
	Unaudited	Unaudited
	RM'000	RM'000
Loss before income tax expense is arrived at after charging/(crediting):		
Short-term leases expenses	1,375	2,071
Depreciation of property, plant and equipment	372	685
Depreciation of right-of-use assets	662	1,179
Impairment loss on trade receivables and contract assets	3,740	2,158
Reversal of impairment loss on trade receivables and contract assets	(3,473)	(207)
Impairment loss on trade receivables and contracts assets, net	267	1,951
Reversal of impairment loss on other receivables	(36)	–
Written off of property, plant and equipment	–	2
Employee benefits expenses (including directors' and chief executives' emoluments):		
— Wages, salaries and other benefits	13,387	14,232
— Contributions to defined contribution plans	741	892
Total employee costs	14,128	15,124
Less: amounts included in cost of sales	(8,054)	(9,013)
	6,074	6,111

8. INCOME TAX EXPENSE

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

	Six months ended 31 December	
	2024	2023
	Unaudited	Unaudited
	RM'000	RM'000
Malaysian corporate income tax		
— provision for the period	—	—
PRC enterprise income tax		
— provision for the period	4	3
Deferred tax	4	—
Income tax expense	<u>4</u>	<u>3</u>

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

The Malaysian corporate income tax applicable to Tan Bock Kwee & Sons Sdn. Bhd. (“**TBK**”) and Prestasi Senadi Sdn. Bhd. (“**Prestasi Senadi**”) is calculated at the statutory tax rate of 24% for the six months ended 31 December 2024 and 2023. No provision for Malaysian income tax had been provided for the six months ended 31 December 2024 as these two subsidiaries had no assessable profits arising in Malaysia.

The provision for PRC enterprise income tax for 聯高能源(山東)有限公司 (Liangao Energy (Shandong) Company Limited) (“**Liangao Shandong**”) is based on a statutory rate of 25% of the assessable profit for the six months ended 31 December 2024 and 2023 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.

Other than the above-mentioned subsidiaries, certain PRC subsidiaries are eligible as a small low-profit enterprise and is subject to the preferential tax treatment for the six months ended 31 December 2024 and 2023. The portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1 million shall be computed at a reduced rate of 12.5% of taxable income amount, and be subject to enterprise income tax at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1 million but does not exceed RMB3 million shall be computed at a reduced rate of 25% of taxable income amount, and be subject to enterprise income tax at 20% tax rate.

No Hong Kong profits tax has been provided as the Group has no assessable profit for the six months ended 31 December 2024 and 2023.

9. LOSS PER SHARE

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

	Six months ended	
	31 December	
	2024	2023
	Unaudited	Unaudited
	RM'000	RM'000
Loss		
Loss for the period attributable to owners of the Company	<u>(6,168)</u>	<u>(10,107)</u>
Number of Shares		
Weighted average number of ordinary Shares for the purposes of basic loss per Share	1,000,000,000	1,000,000,000
Effect of dilutive potential ordinary Shares:		
— Share options	<u>—</u>	<u>389,552</u>
Weighted average number of ordinary Shares for the purposes of diluted loss per Share	<u>1,000,000,000</u>	<u>1,000,389,552</u>

No adjustment has been made to the basic loss per Share amount presented for the six months ended 31 December 2024 and 2023 in respect of a dilution as the impact of the outstanding share options had an anti-dilutive effect on the basic loss per Share amount presented.

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the Period (2023: Nil).

11. TRADE RECEIVABLES, OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	As at 31 December 2024 Unaudited <i>RM'000</i>	As at 30 June 2024 Audited <i>RM'000</i>
Trade receivables	75,238	76,945
Less: Allowance for impairment losses	<u>(23,115)</u>	<u>(22,987)</u>
	<u>52,123</u>	<u>53,958</u>
Advances paid to subcontractors and suppliers	44,124	17,291
Other receivables	1,902	5,079
Deposits	<u>751</u>	<u>678</u>
	46,777	23,048
Less: Allowance for impairment losses	<u>(841)</u>	<u>(876)</u>
	45,936	22,172
Prepayments	<u>205</u>	<u>700</u>
	<u>98,264</u>	<u>76,830</u>

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

The ageing analysis of trade receivables, based on invoice dates, as at 31 December 2024 and 30 June 2024 are as follows:

	As at 31 December 2024 Unaudited <i>RM'000</i>	As at 30 June 2024 Audited <i>RM'000</i>
1 to 90 days	18,572	34,155
91 to 180 days	4,864	22,782
181 to 270 days	24,419	1,591
271 to 360 days	16,902	2,750
Over 360 days	<u>10,481</u>	<u>15,667</u>
	<u>75,238</u>	<u>76,945</u>

During the six months ended 31 December 2024, the Group factored part of its trade receivables owed by a debtor of RM0.6 million (30 June 2024: RM1.3 million) with full recourse to a financial institution. In the event of default by the debtor, the Group is obligated to pay the financial institution the amount in default. Interest is charged at 4.0% (30 June 2024: 4.0%) on the proceeds received from the financial institution until the date the debtor repay or default. The Group is therefore exposed to the risks of credit losses and late payment in respect of the factoring debts.

The Group applies the simplified approach to provide for expected credit losses (“ECLs”) prescribed by IFRS 9. During the Period, a net provision of RM128,000 (2023: RM1,479,000) was made against the gross amounts of trade receivables.

12. CONTRACT ASSETS

	As at 31 December 2024 Unaudited RM’000	As at 30 June 2024 Audited RM’000
Contract assets	36,817	52,963
Less: Allowances for impairment losses	(1,801)	(3,045)
	<u>35,016</u>	<u>49,918</u>

As at 31 December 2024, included in contract assets were accrued billings totalling RM28,906,000 (30 June 2024: RM41,275,000). Accrued billings relate to the Group’s right to consideration for work completed and not billed, and such right is conditional upon the Group’s future performance in satisfying the respective performance obligations as at the reporting date in respect of civil and structural works contracts.

As at 31 December 2024, retention money for contract works amounted to RM7,911,000 (30 June 2024: RM11,688,000) are included in contract assets. Retention money is part of the consideration that the customers retain which is payable on successful completion of the contracts in order to provide the customers with assurance that the Group will complete its obligation satisfactorily under the contracts, rather than to provide financing to the customers. Retention money is unsecured, interest-free and recoverable at the end of the defects liability period of individual contracts. The expected timing of recovery or settlement for contract assets at the end of each reporting period as follows:

	As at 31 December 2024 Unaudited RM’000	As at 30 June 2024 Audited RM’000
Within one year	18,754	47,585
After one year	18,063	5,378
	<u>36,817</u>	<u>52,963</u>

The Group applied the simplified approach to provide for ECLs prescribed by IFRS 9. During the Period, a reversal of provision of RM1,244,000 (2023: a net provision of RM508,000) was made against the gross amounts of contract assets.

13. TRADE AND OTHER PAYABLES

	As at 31 December 2024 Unaudited RM'000	As at 30 June 2024 Audited RM'000
Trade payables	43,057	53,864
Retention payables	1,368	1,222
Accruals	8,741	3,965
Other payables	5,892	8,913
	<u>59,058</u>	<u>67,964</u>

Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 day to 180 days (30 June 2023: 30 days to 180 days) from the date of invoice.

The ageing analysis of trade payables, based on invoice dates, as at 31 December 2024 and 30 June 2024 are as follows:

	As at 31 December 2024 Unaudited RM'000	As at 30 June 2024 Audited RM'000
Within 30 days	25,499	31,358
31 to 60 days	921	2,297
61 to 90 days	1,894	2,601
Over 90 days	14,743	17,608
	<u>43,057</u>	<u>53,864</u>

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

14. SHARE CAPITAL

	Number	Amount <i>HK\$</i>	Amount <i>RM'000</i>
Ordinary Shares of par value of HK\$0.01 each			
Authorised			
At 1 July 2023, 30 June 2024 and 31 December 2024	<u>10,000,000,000</u>	<u>100,000,000</u>	<u>53,000</u>
Ordinary Shares of par value of HK\$0.01 each			
Issued and fully paid			
At 1 July 2023, 30 June 2024 and 31 December 2024	<u>1,000,000,000</u>	<u>10,000,000</u>	<u>5,300</u>

MANAGEMENT DISCUSSION AND ANALYSIS

The Group is principally engaged in civil and structural works in Malaysia and the PRC and trading of oil and related products in the PRC. During the Period, the Group's revenue recorded a decrease by approximately RM20.5 million or 31.7% from approximately RM64.7 million for the six months ended 31 December 2023 to approximately RM44.2 million for the Period. Revenue generated from the civil and structural works in Malaysia and the PRC, as well as the trading of oil and related products in the PRC contributed approximately 100% (2023: 91.8%) and 0% (2023: 8.2%) respectively of the total revenue of the Group.

CIVIL AND STRUCTURAL WORKS IN MALAYSIA

The Group has been facing severe challenges in securing new projects, increased cost of materials and margin squeeze in Malaysia. These challenges are mainly due to (i) scarcity of new projects and intense price competition in tenders; and (ii) unrealistic price target set by project owners. Given the shrinking market share, the tender process has become exceptionally competitive. To maintain client relationships, uphold market presence and optimize resource utilization, the Group has implemented competitive pricing strategies while actively exploring opportunities beyond the oil and gas industry. During the Period under review, the revenue from civil and structural works in Malaysia increased from approximately RM31.8 million for the six months ended 31 December 2023 to approximately RM36.1 million for the Period, the gross profit increased from approximately RM1.8 million for the six months ended 31 December 2023 to approximately RM3.7 million for the Period and the gross profit margin was approximately 10.3% for the Period (2023: 5.8%).

CIVIL AND STRUCTURAL WORKS IN THE PRC

Due to the combined impact of the macroeconomic situation and sluggish property market sentiment remained in the PRC, the Group's civil and structural works in the PRC experienced various challenges, including increased competition, extended payment terms and delay in progress certification of construction and renovation works, customer payment delays as well as narrower gross profit margin. The Group's civil and structural works projects in the PRC mainly covered a range of construction, renovation works and provision of construction labour, i.e. educational institutions, such as colleges, Sino-German Ecopark, Economic and Trade Industrial Park, waterproof works as well as conference and exhibition center. These projects were typically initiated by local government and were closely tied to social community. However, these projects required to have the longer approval and settlement times by the project owners. The Group has slowed down negotiations for new projects in the PRC and has focused on the collection process of trade receivables and contract assets to improve liquidity and financial stability. The Group has been proactive in communicating with customers and seeking improvements in project timelines and payment processes as well as monitoring

the business circumstances. During the Period under review, the revenue from the civil and structural works in the PRC decreased from approximately RM27.6 million for the six months ended 31 December 2023 to approximately RM8.1 million for the Period, the gross profit decreased from approximately RM0.8 million for the six months ended 31 December 2023 to approximately RM0.2 million for the Period and the gross profit margin was approximately 2.4% for the Period (2023: 2.9%).

TRADING OF OIL AND RELATED PRODUCTS IN THE PRC

Due to the market conditions, including ongoing geopolitical tensions, the combined impacts of property market downturn and the reduced infrastructure projects in the PRC, the crude oil prices volatility, and the Group was unable to fully shift the extra cost of the increase in suppliers' prices to its customers, the Group has taken a prudent approach to maintain its operation. During the Period under review, the Group did not record any revenue from the trading of oil and related products in the PRC (2023: RM5.3 million).

LOSS FOR THE PERIOD

The Group's unaudited loss attributable to owners of the Company for the Period amounted to approximately RM6.2 million (2023: RM10.1 million). The reduction in loss for the Period was mainly attributable to (i) the improvement in gross profit of approximately RM1.9 million from the civil and structural works in Malaysia, and (ii) the decrease in net impairment loss on ECLs on trade receivables and contract assets of approximately RM1.7 million, compared to the previous period.

BUSINESS REVIEW

Civil and Structural Works in Malaysia

The Group is registered with a Construction Industry Development Board of Malaysia (the "CIDB") Grade G7 qualification in Category CE (Civil Engineering Construction), Category B (Building Construction) and Category ME (Mechanical and Electrical), which is the highest possible contractor licence under the CIDB and allows the Group to undertake civil and structural works of unlimited tender/contract value. The Group's civil and structural works services generally involve (i) site preparation works; (ii) civil works; and (iii) building works in the oil and gas industry.

The following table sets forth the breakdown of the revenue by nature of works for the six months ended 31 December 2024 and 2023:

	For the six months ended 31 December			
	2024		2023	
	<i>RM'000</i>	<i>approximately</i> %	<i>RM'000</i>	<i>approximately</i> %
Site preparation works projects	-	0.0	3,000	9.4
Civil works projects	35,011	97.1	28,754	90.6
Building works projects	1,059	2.9	-	0.0
	<u>36,070</u>	<u>100.0</u>	<u>31,754</u>	<u>100.0</u>

Despite the challenging economic situation, the Group's civil and structural works in Malaysia, including its product and services, revenue sources, and customers base, has remained relatively stable. During the Period under review, the revenue from civil and structural works in Malaysia increased by approximately 13.6% from approximately RM31.8 million for the six months ended 31 December 2023 to approximately RM36.1 million for the Period.

Site preparation works projects

The Group did not record any revenue from site preparation works project (2023: RM3.0 million) and it had not procured any new project during the Period.

Civil works projects

Revenue from civil works projects increased from approximately RM28.8 million for the six months ended 31 December 2023 to approximately RM35.0 million for the Period, representing an increase of approximately 21.8%.

The increase in revenue was mainly attributable to 2 completed projects which commenced during the previous year i.e. Project 44 (approximately RM0.2 million) and Project 56 (approximately RM0.3 million), as well as 5 ongoing projects which commenced during the Period i.e. Project 57 (approximately RM17.3 million), Project 58 (approximately RM1.5 million), Project 60 (approximately RM6.6 million), Project 61 (approximately RM1.7 million) and Project 62 (approximately RM0.9 million).

The increase was partially offset by the drop in revenue mainly from 7 completed projects which commenced during the previous year i.e. Project 1 (approximately RM3.2 million), Project 30 (approximately RM2.3 million), Project 33 (approximately RM0.4 million), Project 40 (approximately RM1.9 million), Project 46 (approximately RM0.7 million), Project 50 (approximately RM3.0 million) and Project 52 (approximately RM3.8 million), as well as 2 ongoing projects which commenced during the previous year i.e. Project 48 (approximately RM0.8 million) and Project 54 (approximately RM6.5 million).

Building works projects

Revenue from the building works projects was approximately RM1.1 million (2023: Nil). Such increase was mainly attributable to the ongoing Project 59 (approximately RM0.8 million) which commenced during the Period and the completed Project 45 (approximately RM0.3 million).

Projects on hand

As at the 31 December 2024, the Group had 8 (30 June 2024: 10) projects on hand in Malaysia (including projects that have commenced but not yet completed and projects that have been awarded to the Group but not yet commenced). A summary of the projects on hand is set out below:

Project	Particulars and location	Type of works	Pengerang Integrated Petroleum Complex (“PIPC”)/ Non-PIPC projects		Expected completion date
			Commencement date	Expected completion date	
Project 48	A melamine plant in Kedah	Civil works	Non-PIPC	November 2022	April 2025
Project 54	A refinery in Pengerang	Civil works	PIPC	August 2023	May 2025
Project 57	An electronic factory in Kulim Kedah	Civil works	Non-PIPC	June 2024	July 2025
Project 58	An oleochemical plant in Nilai, Negeri Sembilan	Civil works	Non-PIPC	July 2024	March 2025
Project 59	An oleochemical plant in Lahad Datu, Sabah	Building works	Non-PIPC	July 2024	March 2025
Project 60	A refinery in Pengerang	Civil works	PIPC	July 2024	March 2025
Project 61	An oleochemical plant in Pasir Gudang, Johor	Civil works	Non-PIPC	October 2024	April 2025
Project 62	An aeronautical factory in Nilai, Negeri Sembilan	Civil works	Non-PIPC	August 2024	September 2025

Civil and Structural Works in the PRC

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

Xinhongyao Construction has obtained the Qualification Certificate for Construction Enterprise (建築企業資質證書) for Grade II for Professional Contracting for Waterproofing, Corrosion and Heat Preservation Engineering and Grade I for Professional Contracting of Building Decoration and Engineering (防水防腐保溫工程專業承包貳級和建築裝修裝飾工程專業承包壹級), and the Construction Enterprise Safety Production License (建築施工企業安全生產許可證). Xinhongyao Construction has also obtained certifications for GB/T 19001-2016/ISO 9001:2015 (Quality Management System Certification 質量管理體系認證), GB/T 24001-2016/ISO 14001:2015 (Environmental Management System Certification 環境管理體系認證), and GB/T 45001-2020/ISO 45001:2018 (Occupational Health and Safety Management System Certification 職業健康安全管理体系認證).

The Group’s civil and structural works in the PRC experienced various challenges arising from increased competition, extended payment terms and delay in progress certification of construction and renovation works, customer payment delays as well as narrower gross profit margin. The Group’s civil and structural works projects in the PRC mainly covered a range of construction, renovation works and provision of construction labour, i.e. educational institutions, such as colleges, Sino-German Ecopark, Economic and Trade Industrial Park, waterproof works as well as conference and exhibition center. These projects were typically initiated by local government and were closely tied to social community. However, these projects required to have the longer approval and settlement times by the project owners. The Group has slowed down negotiations for new projects and focused on the collection process of trade receivables and contract assets to improve liquidity and financial stability. The Group has been proactive in communicating with customers and seeking improvements in project timelines and payment processes as well as monitoring the business circumstances.

During the Period, the Group’s revenue from civil and structural works in the PRC decreased by 70.6% from approximately RM27.6 million for the six months ended 31 December 2023 to approximately RM8.1 million for the Period.

The decrease in revenue was mainly attributable to 3 projects which were completed during the previous year i.e. Project 7 (approximately RM3.2 million), Project 11 (approximately RM8.8 million) and Project 12 (approximately RM0.7 million), as well as 3 ongoing projects which were near completion during the Period i.e. Project 8 (approximately RM1.0 million), Project 9 (approximately RM4.8 million) and Project 14 (approximately RM1.9 million).

The decrease was partially offset by the increase in revenue for the ongoing Project 20 (approximately RM0.9 million) which commenced during the Period.

Projects on hand

As at the 31 December 2024, the Group had 10 (30 June 2024: 9) 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). A summary of the projects on hand is set out below:

Project	Particular and location	Type of works	Commencement date	Expected completion date
Project 9	A college in Laiyang City, Shandong Province	Construction works	April 2023	May 2025
Project 10	A building in Licang district, Qingdao	Renovation works	January 2023	August 2025
Project 14	Economic and Trade Industrial Park in Shandong Province	Provision of construction labour	December 2023	April 2025
Project 15	Waterproof works in Shandong Province	Construction works	January 2024	April 2025
Project 16	A college in Qingdao City West Coast New Area, Shandong Province	Construction works	March 2024	June 2025
Project 17	An innovation center in Qingdao West Coast New Area, Shandong Province	Renovation works	November 2024	March 2025
Project 18	A building in Laoshan District, Qingdao City	Construction works	April 2024	March 2025
Project 19	A building in Shinan District, Qingdao City	Construction works	June 2024	June 2025
Project 20	A building in Jimo District, Qingdao City	Construction works	November 2024	April 2025
Project 21	A building in Huangdao District, Qingdao City	Renovation works	February 2025	March 2025

Trading of Oil and Related Products in the PRC

Due to the market conditions, including ongoing geopolitical tensions, the combined impacts of property market downturn and the reduced infrastructure projects in the PRC, the crude oil prices volatility, and the Group was unable to fully shift the extra cost of the increase in suppliers' prices to its customers, the Group has taken a prudent approach to maintain its operation. During the Period under review, the Group did not record any revenue from the trading of oil and related products in the PRC (2023: RM5.3 million).

OUTLOOK

The Board expects the financial year 2024/2025 to be equally challenging for the Group. The post-pandemic impacts, geopolitical tensions and persistently high interest rates create strong economy headwinds. Challenges in securing new projects and margin squeeze in Malaysia and the PRC, coupled with a sluggish property market and reduced infrastructure projects in the PRC, also creates further uncertainty to the business environments.

In this regard, the Group has been cautious while actively looking for new projects in order to maintain its foothold in the industry besides exploring opportunities in both East and West Malaysia, as well as in neighbouring countries and the PRC. In addition, the Group will continue to explore and expand its customer base and source of supply to diversify the existing businesses. The Board will from time to time reviews its existing businesses and explores other business and investment opportunities, including but not limited to energy related processing and logistic business, with a view to diversifying the business of the Group.

FINANCIAL REVIEW

Civil and Structural Works in Malaysia

Revenue

During the Period under review, the Group's revenue from civil and structural works in Malaysia increased by approximately 13.6% from approximately RM31.8 million for the six months ended 31 December 2023 to approximately RM36.1 million for the Period.

Cost of sales

The Group's cost of sales from civil and structural works in Malaysia mainly comprises cost of direct materials, subcontracting charges, and direct labour. The following table sets out the breakdown of the Group's direct costs during the six months ended 31 December 2024 and 2023:

	For the six months ended 31 December			
	2024		2023	
	<i>RM'000</i>	<i>Approximately</i> %	<i>RM'000</i>	<i>Approximately</i> %
Direct material	8,680	26.8	9,708	32.4
Subcontracting charges	11,769	36.4	6,584	22.0
Direct labour	8,054	24.9	8,717	29.1
Rental of machinery and equipment	492	1.5	814	2.7
Depreciation	455	1.4	854	2.9
Other costs	2,895	9.0	3,250	10.9
Total	<u>32,345</u>	<u>100.0</u>	<u>29,927</u>	<u>100.0</u>

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

- (a) direct materials, which mainly represent direct costs for the purchase of construction materials, such as sand, steel, concrete, wood and fuel, that are directly attributable to the project works;
- (b) subcontracting charges, which represent fees and charges paid to or payable to subcontractors who provide civil works, site preparation works and/or building works at project sites;

- (c) direct labour, which represents remuneration to employees directly attributable to the projects; and
- (d) other costs, which include various miscellaneous expenses such as transportation fee, safety consultancy fee and insurance expenses for the Group's projects.

The Group's cost of sales from civil and structural works in Malaysia increased from approximately RM29.9 million for the six months ended 31 December 2023 to approximately RM32.3 million for the Period, representing an increase of approximately 8.1% which is in line with the increase in revenue.

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

Gross profit and gross profit margin

The gross profit from civil and structural works in Malaysia increased from approximately RM1.8 million for the six months ended 31 December 2023 to RM3.7 million for the Period, representing an increase of approximately 103.9%, while the Group's gross profit margin increased from approximately 5.8% for the six months ended 31 December 2023 to 10.3% for the Period. The improvement in gross profit was mainly attributable to the new projects that commenced during the Period, which generated relatively high profit margins.

Civil and Structural Works in the PRC

The Group's civil and structural works in the PRC experienced various challenges arising from increased competition, extended payment terms and delay in progress certification of construction and renovation works, customer payment delays as well as narrower gross profit margin. The Group's civil and structural works projects in the PRC mainly covered a range of construction, renovation works and provision of construction labour, i.e. educational institutions, such as colleges, Sino-German Ecopark, Economic and Trade Industrial Park, waterproof works as well as conference and exhibition center. These projects were typically initiated by local government and were closely tied to social community. However, these projects required to have the longer approval and settlement times by the project owners. The Group has slowed down negotiations for new projects and focused on the collection process of trade receivables and contract assets to improve liquidity and financial stability. The Group has been proactive in communicating with customers and seeking improvements in project timelines and payment processes as well as monitoring the business circumstances.

Revenue

During the Period under review, the Group's revenue from the civil and structural works in the PRC was approximately RM8.1 million (2023: RM27.6 million).

Cost of sales

The Group's cost of sales from the civil and structural works in the PRC mainly comprises cost of direct materials, subcontracting fee, direct labour and other direct costs. During the Period under review, the Group's cost of sales from the civil and structural works in the PRC was approximately RM7.9 million (2023: RM26.8 million).

Gross profit and gross profit margin

The Group's gross profit from the civil and structural works in the PRC was approximately RM0.2 million for the Period (2023: RM0.8 million). With combined effects of revenue and cost of sales from the civil and structural works in the PRC, the Group's gross profit margin from civil and structural works in the PRC was approximately 2.4% (2023: 2.9%).

Trading of Oil and Related Products in the PRC

Due to the market conditions, including ongoing geopolitical tensions, the combined impacts of property market downturn and the reduced infrastructure projects in the PRC, the crude oil prices volatility, and the Group was unable to fully shift the extra cost of the increase in suppliers' prices to its customers, the Group has taken a prudent approach to maintain its operation. During the Period under review, the Group did not record any revenue from the trading of oil and related products in the PRC (2023: RM5.3 million).

Selling and distribution expenses

The Group's selling and distribution expenses mainly comprised salary and benefits of our sales and marketing staff, entertainment and promotional expenses, travelling and transport expenses in the PRC. During the Period, the selling and distribution expenses were approximately RM0.2 million (2023: RM0.5 million). The decrease was mainly due to reduction of employee and relevant expenses as result of decrease in revenue.

Administrative expenses

The Group's administrative expenses decreased from approximately RM10.4 million for the six months ended 31 December 2023 to approximately RM9.1 million for the Period. The administrative expenses of the Group primarily consist of short-term leases expenses, depreciation of property, plant and equipment and right-of-use assets and employee benefits expense and other expenses, in which the employee benefits expenses constituted the main component and accounted for approximately 66.6% (2023: 58.7%) of administrative expenses.

Net impairment loss on trade receivables, contract assets and other receivables

The Group had adopted the simplified approach to account for ECLs as prescribed by IFRS9. Throughout the Period, the Group consistently followed the same methodology for the statistical analysis and judgement for the ECLs assessment. In assessing the recoverability of the trade receivables, contract assets and other receivables, the management had performed a detailed analysis based on the available customers' historical data, market conditions as well as forward-looking estimates at the reporting date. The ECLs amount is recognised as the impairment loss in the consolidated statement of profit or loss and other comprehensive income.

During the Period, the Group recognised the net impairment loss on ECLs on trade receivables, contract assets and other receivables of approximately RM0.3 million (2023: RM2.0 million). As at 31 December 2024, the provision for impairment loss on trade receivables, contract assets and other receivables amounted to approximately RM23.1 million (30 June 2023: RM23.0 million), RM1.8 million (30 June 2023: RM3.0 million) and RM0.8 million (2023: RM0.9 million), respectively.

The increase in ECLs was primarily attributable to the customer payment delays, which directly impact the ECLs calculation by reflecting the negative changes in credit risk associated with the outstanding trade receivables and contract assets as at 31 December 2024.

The Group actively monitors the status of its customers and the economic environment, and conducts ongoing evaluations of its business relationships. To recover overdue debts, the Group has established monitoring procedures and takes follow-up action where appropriate. The Group has been proactive in communicating with customers and seeking improvements in project timelines and payment processes. The Group has slowed down negotiations for new projects in the PRC and has focused on the collection process of long-aged trade receivables. The Group will maintain detailed records of communications with customers regarding overdue trade receivables and gathered feedback from customers to understand any issues that might be causing payment delays. At each reporting date, the Group assesses the recoverability of trade receivables, contract assets and other receivables to ensure that adequate impairment losses are made for irrecoverable amounts. As a result, the Directors consider the provision for impairment loss on trade receivables, contract assets and other receivables as at 31 December 2024 to be justifiable.

Finance costs

Finance costs represented interest on bank overdrafts, bank and other borrowings and lease liabilities. For the six months ended 31 December 2024 and 2023, the Group recorded finance costs of approximately RM0.2 million and RM0.2 million, respectively.

Income tax expense

The Group's income tax expenses was approximately RM4,000 for the Period (2023: RM3,000). The decrease was mainly due to the decrease in overall revenue and profit of the Group during the Period.

Loss and Loss per Share

The Group recorded a loss attributable to owners of the Company for the Period of approximately RM6.2 million (2023: RM10.1 million) and the loss per share for the Period was approximately RM0.62 sen (2023: RM1.01 sen).

Key Financial Ratio

	<i>Note</i>	As at 31 December 2024	As at 30 June 2024
Current ratio (<i>times</i>)	<i>1</i>	2.0	2.3
Quick ratio (<i>times</i>)	<i>2</i>	2.0	2.3
Gearing ratio (%)	<i>3</i>	3.9	4.5

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%.

Liquidity, Financial Resources and Capital Structure

As at 31 December 2024,

- a. the Company's issued capital was RM5.3 million (or HK\$10 million equivalent) and the number of its issued ordinary Shares was 1,000,000,000 Shares of HK\$0.01 each;
- b. the Group had total pledged time deposits as well as cash and cash equivalents of approximately RM6.6 million (30 June 2024: RM6.6 million) and approximately RM29.7 million (30 June 2024: RM28.9 million), respectively, most of which were denominated in Hong Kong Dollar (HK\$), United States Dollar (USD), Malaysian Ringgit (RM) and Renminbi (RMB);

- c. the Group had lease liabilities and bank and other borrowings of approximately RM0.2 million (30 June 2023: RM0.8 million) and RM3.7 million (30 June 2024: RM4.0 million), respectively. All lease liabilities and bank borrowings were denominated in RM and RMB; and
- d. the Group's total equity attributable to owners of the Company was approximately RM102.5 million (30 June 2023: RM110.9 million). The equity of the Company mainly comprises share capital and reserves.

Treasury Policy

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

Dividend

The Board does not recommend the payment of an interim dividend for the Period (2023: Nil).

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

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

Capital Commitments

As at 31 December 2024, the Group had no significant capital commitments (30 June 2024: Nil).

Pledge of Assets

As at 31 December 2024, certain freehold land with carrying amount of RM4.7 million (30 June 2024: RM4.7 million), certain right-of-use assets of leasehold land and buildings with total net carrying amount of approximately RM1.6 million (30 June 2024: RM1.6 million), and time deposit of approximately RM6.6 million (30 June 2024 RM6.6 million) were pledged to licensed banks as security for credit facilities granted to the Group.

Future Plan for Material Investments and Capital Assets

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

Contingent Liabilities

As at 31 December 2024, the Group had no significant contingent liabilities or outstanding litigation (30 June 2024: Nil).

Pledge of Shares by the Controlling Shareholder

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

Foreign Currency Risk

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

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

Employees and Remuneration Policy

As at 31 December 2024, the Group had 509 (30 June 2024: 513) employees (including foreign labour). The Group's employees are invaluable assets of the Group and it is dedicated to managing human capital. The Directors believe that continuous staff training and development will not only improve the Group's staff's performance, but will also enhance loyalty and staff morale. For its new recruits, the Group offers induction training courses which cover practical and technical aspects of their works, together with its corporate culture and core value. Remuneration packages the Group's offer to its staff includes basic salary, discretionary bonuses and allowance. For the Period, the Group's employee cost, including Directors' emoluments, were approximately RM14.1 million (2023: RM15.1 million). The Directors review the performance of the Group's employees on a periodical basis in order to determine salary adjustment and promotions and keep the Group's remuneration package competitive.

Comparison of business objectives and strategies with actual business progress

As set out in the prospectus of the Company dated 16 September 2019 (the "**Prospectus**") and the announcements of the Company in relation to change in use of proceeds dated 31 January 2022 and 27 September 2024 (the "**Announcements**"), the business objectives and strategies of the Group are (i) to reserve more capital to satisfy the Group's potential customers' requirement for performance bond; (ii) to expand the Group's workforce; (iii) to acquire machinery; (iv) to finance for the upfront expenditures of new projects; (v) to acquire business; (vi) to set aside for working capital purpose; (vii) to expand and develop of the trading of oil and related products (the "**Oil Trading Business**") and (viii) future investment opportunities in project(s) including but not limited to petrochemical, mineral resources, natural resources, financial investment and oil logistics.

An analysis comparing the future plans and use of proceeds contained in the Prospectus and the Announcements with the Group’s actual business progress for the period from the Listing Date to 31 December 2024 (the “**Relevant Period**”) is set out below:

- | | | | |
|-------|--|---|---|
| i. | To reserve more capital to satisfy the Group’s potential customers’ requirement for performance bond | — | To purchase performance bond as required for any new project |
| ii. | To expand the Group’s workforce | — | To carry out recruitment including project director, project manager, construction manager, project control manager, interface coordinator, quality assurance engineer, environmental manager, quality control head, quality control site manager, health, safety, security and environment head, health, safety, security and environment site manager |
| | | — | Additional staff costs for retaining the aforesaid additional staff |
| iii. | To acquire machinery | — | To acquire 2 cranes, 3 excavators, dumpers, low loader, 2 roller compactors, water truck, arm roll lorry, micro-bus, compressor, bar benders/cutters, towel lighting, generator |
| iv. | To finance for the upfront expenditures of new projects | — | To pay for the upfront costs of the Group’s projects including startup costs such as subcontracting charges for work done by subcontractors, material costs and direct labour costs |
| v. | To acquire business | — | To acquire engineering contractors which have Bumiputera ownership |
| vi. | To set aside for working capital purpose | — | To set aside, together with internal resources of the Group, for general working capital purpose |
| vii. | To expand and develop the Oil Trading Business | — | To develop northern PRC market of the Oil Trading Business |
| | | — | To expand its customer base |
| | | — | To secure a supply of higher quality oil products |
| viii. | Future investment opportunities | — | To pursue future investment opportunities in project(s) including but not limited to petrochemical, mineral resources, natural resources, financial investment and oil logistics |

Use of Proceeds

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

	Original allocation of the Net Proceeds disclosed in the Prospectus and the 2019 Annual Report <i>HK\$' million</i>	Revised allocation of the Net Proceeds disclosed in the Announcements <i>HK\$' million</i>	Utilised amount of the Net Proceeds up to 30 June 2024 <i>HK\$' million</i>	Unutilised Net Proceeds brought forward from 30 June 2024 <i>HK\$' million</i>	Utilised amount of Net Proceeds as during the Period <i>HK\$' million</i>	Unutilised Net Proceeds as at 31 December 2024 <i>HK\$' million</i>
i To reserve more capital to satisfy the Group’s potential customers’ requirement for performance bond	8.9	(8.9)	-	-	-	-
ii To expand the Group’s workforce	13.4	(13.4)	-	-	-	-
iii To acquire machinery	17.8	(17.8)	-	-	-	-
iv To finance for the upfront expenditures of new projects	26.7	(14.8)	(11.9)	-	-	-
v To acquire business	13.4	(13.4)	-	-	-	-
vi To set aside for working capital purpose	4.8	24.1	(16.9)	12.0	(2.2)	9.8
vii To expand and develop the Oil Trading Business	-	40.0	(40.0)	-	-	-
viii Future investment opportunities	-	4.2	(4.2)	-	-	-
	<u>85.0</u>	<u>0</u>	<u>(73.0)</u>	<u>12.0</u>	<u>(2.2)</u>	<u>9.8</u>

As disclosed in the announcement and 2024 annual report dated 27 September 2024, the Unutilised Net Proceeds amounted to approximately HK\$12 million as at 30 June 2024. After careful consideration and detailed evaluation of the Group’s operations and business strategies, the Board has resolved to allocate the Unutilised Net Proceeds, including (i) approximately HK\$6.2 million for financing the upfront expenditures of new projects and (ii) approximately HK\$5.8 million for future investment opportunities of the Group, to be used as general working capital of the Group, which are expected to be fully utilized by 30 June 2025.

SHARE OPTION SCHEME

Pursuant to the written resolutions of all the Shareholders passed on 5 September 2019, the Company adopted the Share Option Scheme. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules. The purpose of the Share Option Scheme is to enable the Board to grant options to employees, any supplier of goods or services, any customer, any person or entity that provides research, development or other technological support, any shareholder or other participants who contributes to the development and growth of the Group or any invested entity (the “**Eligible Persons**”) as incentives or rewards for their contribution or potential contribution to the Group and to recruit and retain high calibre Eligible Persons and attract human resources that are valuable to the Group.

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

As at 31 December 2024, the total number of securities available for issue under the Share Option Scheme was 90,000,000, representing 9% of the entire issued share capital of the Company. Movements of Share Options during the Period are as below:

Name of category of participant	Date of grant	Exercise price HK\$	Outstanding at 1 July 2024	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	Outstanding at 31 December 2024	Exercise period of the Share Options
Mr. Lam Tze Chung, a director of a subsidiary of the Company	12 May 2021	0.35	5,000,000	-	-	-	5,000,000	12 May 2021 to 11 May 2026
Employee	12 May 2021	0.35	5,000,000	-	-	-	5,000,000	12 May 2021 to 11 May 2026
Total			<u>10,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,000,000</u>	

No Share Option was granted, exercised, cancelled or lapsed during the Period (2023: Nil).

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

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Other than the Share Option Scheme, at no time during the Period was the Company or its subsidiaries a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

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

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

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of the Directors, all the Directors have confirmed that they have complied with the requirements of the Model Code during the Period.

CORPORATE GOVERNANCE

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

The Board recognises the importance of good corporate governance in management and internal procedures so as to achieve effective accountability. The Company has adopted the principles and the code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 of the Listing Rules.

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

AUDIT COMMITTEE

The Audit Committee was established on 5 September 2019 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Chu Hoe Tin, Mr. Ng Ying Kit and Mr. Wong Sze Lok. The chairman of the Audit Committee is Mr. Chu Hoe Tin.

The interim financial results of the Group for the Period are unaudited but have been reviewed and approved by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements as well as the Listing Rules and that adequate disclosures have been made.

PUBLICATION ON THE COMPANY AND STOCK EXCHANGE'S WEBSITES

This interim results announcement is published on the websites of the Company (www.tbkssb.com.my) and the Stock Exchange (www.hkexnews.hk), respectively. The interim report of the Company for the six months ended 31 December 2024 will be despatched to shareholders of the Company and available on the same websites in due course.

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

Hong Kong, 27 February 2025

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.