JBB BUILDERS INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1903)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 30 JUNE 2019

RESULTS HIGHLIGHTS

	Year ended 30 June		
	2019	2018	Increase (decrease)
	RM'000	*RM'000*	*RM'000*
Revenue	**329,929**	537,816	(207,887)
Gross Profit	**38,387**	70,995	(32,608)
Gross profit margin	**11.6%**	13.2%	(1.6%)
Listing expenses	**5,510**	7,135	(1,625)
Profit for the year attributable to owners of the Company	**19,632**	23,077	(3,445)
Total equity attributable to owners of the Company	**125,936**	30,139	95,797
Basic and diluted earnings per Share *(Sen)*	**5.00**	6.15	(1.15)

ANNUAL RESULTS

The board (the "**Board**") of directors (the "**Directors**") of JBB Builders International Limited (the "**Company**") is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 30 June 2019 together with the comparative figures for the year ended 30 June 2018. All amounts set out in this announcement are expressed in Ringgit Malaysia ("**RM**") unless otherwise indicated.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Notes	**2019** ***RM'000***	2018 *RM'000*
Revenue	*4*	**329,929**	537,816
Direct costs		**(291,542)**	(466,821)
Gross profit		**38,387**	70,995
Other revenue	*5*	**1,691**	2,901
Other net income/(loss)	*5*	**358**	(2,034)
Reversal/(allowance) for impairment loss on trade receivables and contract assets	*6(c)*	**3,376**	(231)
General and administrative expenses		**(16,780)**	(26,956)
Profit from operations		**27,032**	44,675
Share of loss of a joint venture		**(66)**	(47)
Finance costs	*6(a)*	**(199)**	(291)
Profit before taxation	*6*	**26,767**	44,337
Income tax expenses	*7*	**(7,707)**	(12,569)
Profit for the year		**19,060**	31,768
Other comprehensive (loss) for the year			
Items that will not be reclassified to profit or loss:			
Currency translation differences		**(948)**	—
Total comprehensive income for the year		**18,112**	31,768
Profit/(loss) for the year attributable to:			
Owners of the Company		**19,632**	23,077
Non-controlling interests		**(572)**	8,691
		19,060	31,768
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**18,684**	23,077
Non-controlling interests		**(572)**	8,691
		18,112	31,768
Earnings per share ***(Sen per share)***	*9*		
— Basic		**5.00**	6.15
— Diluted		**5.00**	6.15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Notes	**2019** **RM'000**	2018 *RM'000*
Non-current assets			
Property, plant and equipment		**9,068**	14,462
Investment properties		**3,300**	—
Interest in a joint venture		**335**	401
Deposits paid for acquisition of investment properties	*10*	**—**	3,766
Deferred tax assets		**318**	296
		13,021	18,925
Current assets			
Trade and other receivables	*10*	**105,440**	288,953
Contract assets	*11*	**102,282**	—
Amount due from a related company		**—**	72
Amounts due from contract customers	*11*	**—**	44,252
Tax recoverable		**2,528**	257
Pledged bank deposits		**5,593**	5,555
Cash and cash equivalents		**114,638**	41,644
		330,481	380,733
Current liabilities			
Trade and other payables	*12*	**199,628**	320,546
Contract liabilities	*11*	**89**	—
Amounts due to contract customers	*11*	**—**	7,788
Bank loan		**501**	704
Dividend payable		**—**	7,200
Obligations under finance leases		**1,191**	1,517
Amount due to former immediate holding company		**—**	2,574
Amounts due to directors		**—**	3,107
Provision for taxation		**2,174**	9,765
		203,583	353,201
Net currents assets		**126,898**	27,532
Total assets less current liabilities		**139,919**	46,457
Non-current liabilities			
Obligations under finance leases		**1,155**	1,949
Deferred tax liabilities		**626**	1,322
		1,781	3,271
Net assets		**138,138**	43,186
Capital and reserves			
Share capital	*13*	**2,672**	6,500
Reserves		**123,264**	23,639
Total equity attributable to owners of the Company		**125,936**	30,139
Non-controlling interests		**12,202**	13,047
		138,138	43,186

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liabilities on 30 April 2018 under the Companies Law (Cap. 22) (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's registered address is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands. The principal place of business of the Company is located at Room 1222, 12/F, Soundwill Plaza II — Midtown, 1–29 Tang Lung Street, Causeway Bay, Hong Kong.

The ordinary shares of the Company (the "**Share**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 10 May 2019 (the "**Listing**").

The Company is an investment holding company and the Company's subsidiaries are principally engaged in the provision of marine construction services and building and infrastructure services. As at 30 June 2019, the Company is ultimately controlled by Dato' Ng Say Piyu and Datin Ngooi Leng Swee (the "**Controlling Shareholders**"), who have entered into a concert party deed on 16 May 2018.

2. BASIC OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange.

The HKICPA has issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group. Note 3 provides information on any changes in accounting policies resulting from the initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basic of preparation

The consolidated financial statements for the year ended 30 June 2019 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in a joint venture.

Pursuant to the completion of the Group's reorganisation in preparation for the listing of the Shares on the Stock Exchange (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 25 April 2019 (the "**Prospectus**"). The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the consolidated financial statements have been prepared as if the Reorganisation had been completed at 1 July 2017 and the current group structure had always been in existence.

All the companies now comprising the Group that took part in the Reorganisation were controlled by the same Controlling Shareholders before and after the Reorganisation. As the control is not transitory and consequently, there was a continuation of risks and benefits to the Controlling Shareholders and the Reorganisation is considered to be a restructuring of entities under common control. The consolidated financial statements have been prepared using the merger basis of accounting as if the Group has always been in existence and the net assets of the companies now comprising the Group are combined using the existing book values from the Controlling Shareholders' perspective.

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 of the Group include the financial performance and cash flows of the Company and its subsidiaries as if the current group structure had been in existence throughout the years ended 30 June 2019 and 2018 (or where the Company and its subsidiaries were incorporated/established at a date later than 1 July 2017, for the period from date of incorporation/establishment to 30 June 2019). The consolidated statement of financial position of the Group as at 30 June 2018 have been prepared to present the assets and liabilities of the Company and its subsidiaries as at that date as if the current group structure had been in existence at that date.

Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gain but only to the extent that there is no evidence of impairment.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is Hong Kong dollars ("**HK$**") and the consolidated financial statements are presented in Malaysian Ringgit ("**RM**"), rounded to the nearest thousand, unless otherwise stated, as the Group's principal activities were carried out in Malaysia.

The measurement basis used in the preparation of the consolidated financial statements is the historical cost basis except that the investment properties are stated at their fair value.

The preparation of the consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. 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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued a number of new HKFRSs and amendments to HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's consolidated financial statements:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 9, Financial instruments

HKFRS 9 replaces HKAS 39, Financial instruments: recognition and measurement. It sets out the requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items.

The Group had applied HKFRS 9 retrospectively to items that existed at 1 July 2018 in accordance with the transition requirements. The Group had recognised the cumulative effect of initial application as an adjustment to the opening equity at 1 July 2018. Therefore, comparative information continues to be reported under HKAS 39.

The following table summarises the impact of transition to HKFRS 9 on retained earnings and reserves and the related tax impact as at 1 July 2018.

Retained earnings	*RM'000*
Recognition of additional expected credit losses on:	
— financial assets measured at amortised cost	(3,424)
— contract assets	(141)
Related tax	856
Net decrease in retained earnings as at 1 July 2018	(2,709)

Non-controlling interests	*RM'000*
Recognition of additional expected credit losses on financial assets measured at amortised cost and contract assets, net of tax, and decrease in non-controlling interests as at 1 July 2018	(273)

Further details of the nature and effect of the changes to previous accounting policies and the transition approach are set out below:

a. *Classification of financial assets and financial liabilities*

HKFRS 9 categorises financial assets into three principal classification categories: measured at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVPL). These supersede HKAS 39's categories of held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets measured at FVPL. The classification of financial assets under HKFRS 9 is based on the business model under which the financial asset is managed and its contractual cash flow characteristics. Under HKFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are not separated from the host. Instead, the hybrid instrument as a whole is assessed for classification.

The following table shows the original measurement categories for each class of the Group's financial assets under HKAS 39 and reconciles the carrying amounts of those financial assets determined in accordance with HKAS 39 to those determined in accordance with HKFRS 9.

	HKAS 39 carrying amount as at 30 June 2018	**Reclassification**	**Remeasurement**	**HKFRS 9 carrying amount as at 1 July 2018**
	RM'000	*RM'000*	*RM'000*	*RM'000*
Financial assets carried at amortised cost				
Cash and cash equivalents	41,644	—	—	41,644
Pledged bank deposits	5,555	—	—	5,555
Trade and other receivables *(note (i))*	288,953	(55,321)	(3,783)	229,849
Amount due from a related company	72	—	—	72
	336,224	(55,321)	(3,783)	277,120

Note:

(i) Trade and other receivables of RM55,321,000 were reclassified to contract assets as at 1 July 2018 as a result of the initial application of HKFRS 15.

The measurement categories for all financial liabilities remain the same, except for financial guarantee contracts. The carrying amounts for all financial liabilities (including financial guarantee contracts) at 1 July 2018 have not been impacted by the initial application of HKFRS 9.

The Group did not designate or de-designate any financial asset or financial liability at FVPL at 1 July 2018.

b. Credit losses

HKFRS 9 replaces the "incurred loss" model in HKAS 39 with the "expected credit loss" (ECL) model. The ECL model requires an ongoing measurement of credit risk associated with a financial asset and therefore recognises ECLs earlier than under the "incurred loss" accounting model in HKAS 39.

The Group applies the new ECL model to the following items:

— financial assets measured at amortised cost;

— contract assets as defined in HKFRS 15; and

— financial guarantee contracts issued.

The following table reconciles the closing loss allowance determined in accordance with HKAS 39 as at 30 June 2018 with the opening loss allowance determined in accordance with HKFRS 9 as at 1 July 2018.

	RM'000
Loss allowance as at 30 June 2018 under HKAS 39	867
Additional credit loss recognised at 1 July 2018 on:	
— trade receivables	3,783
— contract assets recognised on adoption of HKFRS 15	141
Loss allowance at 1 July 2018 under HKFRS 9	4,791

HKFRS 15, Revenue from contracts with customers

HKFRS 15 establishes a comprehensive framework for recognising revenue and some costs from contracts with customers. HKFRS 15 replaces HKAS 18, Revenue, which covered revenue arising from sale of goods and rendering of services, and HKAS 11, Construction contracts, which specified the accounting for construction contracts.

HKFRS 15 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

The Group has elected to use the cumulative effect transition method and has recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 July 2018. Therefore, comparative information has not been restated and continues to be reported under HKASs 11 and 18. As allowed by HKFRS 15, the Group has applied the new requirements only to contracts that were not completed before 1 July 2018. There are no significant impact of the requirements of HKFRS 15 on the Group's retained earnings and reserves as at 1 July 2018.

Further details of the nature and effect of the changes on previous accounting policies are set out below:

a. Timing of revenue recognition

Under HKFRS 15, revenue is recognised when the customer obtains control of the promised good or service in the contract. This may be at a single point in time or over time. HKFRS 15 identifies the following three situations in which control of the promised good or service is regarded as being transferred over time:

(i) When the customer simultaneously receives and consumes the benefits provided by the entity's performance, as the entity performs;

(ii) When the entity's performance creates or enhances an asset (for example work in progress) that the customer controls as the asset is created or enhanced;

(iii) When the entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date.

If the contract terms and the entity's activities do not fall into any of these 3 situations, then under HKFRS 15 the entity recognises revenue for the sale of that good or service at a single point in time, being when control has passed. Transfer of risks and rewards of ownership is only one of the indicators that is considered in determining when the transfer of control occurs.

The adoption of HKFRS 15 does not have a significant impact on when the Group recognises revenue, the Group continues to recognise revenue from reclamation and related works and building and infrastructure services over time and continue to recognise its revenue on marine transportation services at a point in time.

b. Presentation of contract assets and liabilities

Under HKFRS 15, a receivable is recognised only if the Group has an unconditional right to consideration. If the Group recognises the related revenue before being unconditionally entitled to the consideration for the promised goods and services in the contract, then the entitlement to consideration is classified as a contract asset. Similarly, a contract liability, rather than a payable, is recognised when a customer pays consideration, or is contractually required to pay consideration and the amount is already due, before the Group recognises the related revenue. For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

To reflect these changes in presentation, the Group has made the following adjustments at 1 July 2018, as a result of the adoption of HKFRS 15:

(i) Amounts due from contract customers and trade and other receivables amounting to RM44,252,000 and RM55,321,000 respectively are now included under contract assets; and

(ii) Amounts due to contract customers amounting to RM7,788,000 are now included under contract liabilities.

c. ***Disclosure of the estimated impact on the amount reported in respect of the year ended 30 June 2019 as a result of the adoption of HKFRS 15 on 1 July 2018***

The following table summarises the estimated impact of adoption of HKFRS 15 on the Group's consolidated financial statements for the year ended 30 June 2019, by comparing the amounts reported under HKFRS 15 in these consolidated financial statements with estimates of the hypothetical amounts that would have been recognised under HKASs 18 and 11 if those superseded standards had continued to apply after 1 July 2018 instead of HKFRS 15. The table shows only those line items impacted by the adoption of HKFRS 15:

	Amounts reported in accordance with HKFRS 15	**Hypothetical amounts under HKASs 18 and 11**	**Difference: Estimated impact of adoption of HKFRS 15**
	RM'000	*RM'000*	*RM'000*
Line items in the consolidated statement of financial position as at 30 June 2019 impacted by the adoption of HKFRS 15:			
Trade and other receivables	105,440	160,969	(55,529)
Contract assets	102,282	—	102,282
Amounts due from contract customers	—	46,753	(46,753)
Contract liabilities	89	—	89
Amounts due to contract customers	—	89	(89)

The significant difference arises as a result of the changes in accounting policies described above.

HK(IFRIC) 22, Foreign currency transactions and advance consideration

This interpretation provides guidance on determining "the date of the transaction" for the purpose of determining the exchange rate to be used on initial recognition of the related asset, expense or income (or part of it) arising from a transaction in which an entity receives or pays advance consideration in a foreign currency.

The interpretation clarifies that "the date of the transaction" is the date on initial recognition of the non-monetary asset or liability arising from the payment or receipt of advance consideration. If there are multiple payments or receipts in advance of recognising the related item, the date of the transaction for each payment or receipt should be determined in this way. The adoption of HK(IFRIC) 22 does not have any material impact on the financial position and the financial result of the Group.

4. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of marine construction services and buildings and infrastructure services.

Disaggregation of revenue from contracts with customers by major products or services lines is as follows:

	2019	2018
	RM'000	*RM'000*
Construction contracts		
— Reclamation and related works	**18,923**	98,186
— Building and infrastructure	**162,245**	78,983
	181,168	177,169
Marine transportation	**148,761**	360,647
	329,929	537,816

Revenue from construction contracts is recognised over time and revenue from marine transportation is recognised at a point in time.

As at 30 June 2019, the aggregate amount of the transaction price allocated to the remaining performance obligations under the Group's existing contracts is RM786,825,000. This amount represents revenue expected to be recognised in future from construction contracts and marine transportation contracts entered into between the customers and the Group. The Group will recognise the expected revenue in future when or as the work is completed, which is expected to be during the years ending 30 June 2020 to 30 June 2022.

(b) Segment reporting

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the board of directors of the Company, being the chief operating decision maker (the "**CODM**"), for the purpose of allocating resources to segments and assessing their performance.

For management purpose, the Group is organised into business units based on their products and services and has three reportable segments as follows:

Marine construction services

— Reclamation and related works, which includes land reclamation and other marine civil works and may involve soil and site investigation, land and hydrographic survey, pre-reclamation design, sand handling/filling, ground treatment and sand surcharge and removal work.

— Marine transportation, which involves transportation of marine sand including the extraction of marine sand from the approved sand source onto sand carriage and delivery of marine sand to designated sites where the marine sand is unloaded to be used for land reclamation.

Building and infrastructure services

— General building work in construction of properties and infrastructure work.

Segment profit represents the profit earned by each segment without allocation of central administrative and corporate expenses (including listing expenses), unallocated other revenue, finance costs and share of loss of a joint venture. This is the measure reported to the CODM, for the purposes of resources allocation and performance assessment.

No segment assets and liabilities are presented as they were not regularly provided to the CODM for the purpose of resources allocation and performance assessment.

Information regarding the above segments is reported below.

The following is an analysis of the Group's revenue and results by reportable segments:

For the year ended 30 June 2019

	Marine construction				
	Reclamation and related works	**Marine transportation**	**Building and infrastructure**	**Elimination of inter-segment revenue**	**Total**
	RM'000	***RM'000***	***RM'000***	***RM'000***	***RM'000***
Revenue					
Revenue from external customers	**18,923**	**148,761**	**162,245**	**—**	**329,929**
Inter-segment revenue	**11,824**	**17,969**	**—**	**(29,793)**	**—**
Reportable segment revenue	**30,747**	**166,730**	**162,245**	**(29,793)**	**329,929**
Reportable segment profit	**984**	**18,320**	**22,051**	**—**	**41,355**
Unallocated central administrative and corporate expenses:					
— General and administrative expenses					**(9,617)**
— Listing expenses					**(5,510)**
Unallocated other revenue					**804**
Finance costs					**(199)**
Share of loss of a joint venture					**(66)**
Profit before taxation					**26,767**
Other segment information					
Depreciation	**4,329**	**41**	**381**	**—**	**4,751**
(Reversal) for impairment loss on trade receivables and contract assets	**(820)**	**(2,143)**	**(413)**	**—**	**(3,376)**
Bad debts (recovered)	**(946)**	**—**	**—**	**—**	**(946)**

For the year ended 30 June 2018

	Marine construction				
	Reclamation and related works *RM'000*	Marine transportation *RM'000*	Building and infrastructure *RM'000*	Elimination of inter-segment revenue *RM'000*	Total *RM'000*
Revenue					
Revenue from external customers	98,186	360,647	78,983	—	537,816
Inter-segment revenue	27,760	147,730	—	(175,490)	—
Reportable segment revenue	125,946	508,377	78,983	(175,490)	537,816
Reportable segment profit	11,148	45,195	8,689	—	65,032
Unallocated central administrative and corporate expenses:					
— General and administrative expenses					(13,587)
— Listing expenses					(7,135)
Unallocated other revenue					365
Finance costs					(291)
Share of loss of a joint venture					(47)
Profit before taxation					44,337
Other segment information					
Depreciation	5,682	40	—	—	5,722
Allowance for impairment loss on trade receivables	231	—	—	—	231
Bad debts written off	18	—	—	—	18

Geographical information

The following is an analysis of geographical location of the Group's revenue from external customers. The geographical location of customers is based on the location at which the services were provided or the goods delivered.

	2019 *RM'000*	2018 *RM'000*
Malaysia (place of domicile)	**329,929**	416,636
Singapore	**—**	121,180
	329,929	537,816

5. OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	2019 *RM'000*	2018 *RM'000*
Other revenue		
Interest income on financial assets measured at amortised cost	**665**	365
Handling service fee on provision of diesel	**31**	903
Bad debts recovered	**946**	—
Others	**49**	1,633
	1,691	2,901
Other net income/(loss)		
Net foreign exchange gain/(loss)	**218**	(2,034)
Fair value loss on investment properties	**(581)**	—
Gain on disposal of property, plant and equipment	**721**	—
	358	(2,034)

6. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2019 *RM'000*	2018 *RM'000*
Interest on bank loan	**36**	44
Finance charge on obligations under finance leases	**163**	247
Total interest expenses on financial liabilities not at fair value through profit or loss	**199**	291

(b) Staff costs (including Directors' emoluments)

	2019 *RM'000*	2018 *RM'000*
Salaries, wages and other benefits	**8,554**	17,318
Contributions to defined contribution retirement plan	**773**	1,126
	9,327	18,444
Less: Amount included in direct costs	**(1,975)**	(2,780)
	7,352	15,664

(c) Other items

	2019 *RM'000*	2018 *RM'000*
Depreciation	**5,290**	6,256
Less: Amount included in direct costs	**(4,507)**	(5,078)
	783	1,178
Operating lease charges:		
minimum lease payments in respect of		
— properties	**339**	316
— equipment	**1,370**	7,252
	1,709	7,568
Less: Amount included in direct costs	**(1,566)**	(7,465)
	143	103
(Reversal)/allowance for impairment loss on trade receivables and contract assets	**(3,376)**	231
Bad debts (recovered)/written off	**(946)**	18
Auditors' remuneration	**689**	207
Listing expenses	**5,510**	7,135
Net foreign exchange (gain)/loss	**(218)**	2,034
Fair value loss on investment properties	**581**	—
(Gain) on disposal of property, plant and equipment	**(721)**	—

7. INCOME TAX EXPENSE

	2019 *RM'000*	2018 *RM'000*
Current tax		
Charge for the year	**7,687**	13,123
(Over)/underprovision in prior years	**(204)**	14
Deferred tax		
Origination and reversal of temporary differences	**224**	(568)
Income tax expense for the year	**7,707**	12,569

(i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

(ii) No provision for Hong Kong profits tax has been made as the Group had no assessable profits derived from or earned in Hong Kong during the years ended 30 June 2019 and 2018.

(iii) Corporate income tax in Malaysia is calculated at the statutory rate of 24% of the estimated taxable profit for the years ended 30 June 2019 and 2018.

Group's entities in Malaysia with a paid up capital of RM2,500,000 and below can enjoy lower corporate income tax rate 17% (2018: 18%) on the first RM500,000 chargeable income and the above statutory rate shall be charged on chargeable income in excess of RM500,000 for the year ended 30 June 2019.

In addition, for the year of assessment 2018 in Malaysia, a further reduction in the corporate income tax rate from 24% to 20%, which applies progressively at 23%, 22%, 21% and 20% on entities with an incremental chargeable income of 5% to 9.99%, 10% to 14.99%, 15% to 19.99% and 20% and above respectively, as compared to the immediate preceding year of assessment is available.

8. DIVIDENDS

(i) Dividends of approximately RM57,500,000 during the year ended 30 June 2018, represented dividends declared by the respective companies now comprising the Group to the then owners of the respective companies for the year ended 30 June 2018 prior to the Reorganisation. The rates for dividend and the number of Shares ranking for dividends are not presented as such information is not considered meaningful.

(ii) The Directors recommended the payment of a final dividend of HK$0.02 per share amounting to approximately HK$10,000,000 in aggregate in respect of the year ended 30 June 2019 (2018: nil), which is subject to approval of the shareholders at the forthcoming annual general meeting of the Company.

(iii) The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

9. EARNINGS PER SHARE

The calculation of basic earnings per Share is based on the consolidated profit attributable to owners of the Company of approximately RM19,632,000 (2018: RM23,077,000) and the weighted average of 392,808,219 Shares (2018: 375,000,000 Shares) in issue during the year. The weighted average number of Shares in issue during the years ended 30 June 2019 and 2018 is calculated based on the assumption that 375,000,000 Shares were in issue throughout the entire years, taking into consideration of the effect of Reorganisation, loan capitalisation and the capitalisation issue (as defined and disclosed in the Prospectus).

	2019	2018
	RM'000	*RM'000*
Earnings		
Profit for the year attributable to owners of the Company for the purpose of calculating basic and diluted earnings per Share	**19,632**	23,077

	2019	2018
	Number of Shares	*Number of Shares*
Weighted average number of Shares		
Effect of Reorganisation, loan capitalisation and capitalisation issue *(Note 13)*	**375,000,000**	375,000,000
Effect of shares issued by global offering *(Note 13)*	**17,808,219**	—
Weighted average number of Shares used in the calculation of basic and diluted earnings per Share	**392,808,219**	375,000,000

The diluted earnings per Share is the same as the basic earnings per Share as there were no dilutive potential Shares in existence during the years ended 30 June 2019 and 2018.

10. TRADE AND OTHER RECEIVABLES

	Notes	**30 June 2019**	1 July 2018	30 June 2018
		RM'000	*RM'000*	*RM'000*
Trade receivables		**92,771**	217,534	217,534
Less: allowance for doubtful debts		**(1,323)**	(4,650)	(867)
	(i), (iv)	**91,448**	212,884	216,667
Deposits, prepayments and other receivable	*(ii)*	**13,992**	20,731	20,731
Retention receivables	*(iii)*	**—**	—	55,321
		105,440	233,615	292,719
Less: non-current portion				
Deposits paid for acquisition of investment properties		**—**	(3,766)	(3,766)
		105,440	229,849	288,953

Notes:

(i) Upon the adoption of HKFRS 9, an opening adjustment as at 1 July 2018 was made to recognise additional ECLs on trade receivables (see Note 3).

(ii) The amount of deposits, prepayments and other receivable, except for the amounts of approximately RMnil (2018: RM3,766,000) as at 30 June 2019, which are expected to be recognised as assets after one year, all of the remaining balances are expected to be recovered or recognised as expenses within one year.

(iii) Upon the adoption of HKFRS 15, retention receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion of the retention period, were reclassified to "contract assets" and disclosed in Note 3.

(iv) All of the trade receivables are expected to be recovered within one year.

Aging analysis of trade receivables

As at the end of each reporting period, the aging analysis of trade receivables based on the invoice date and net of loss allowance, is as follows:

	2019	2018
	RM'000	*RM'000*
Within 30 days	**23,447**	44,839
31 to 60 days	**22,239**	36,146
61 to 90 days	**4,378**	37,680
Over 90 days	**41,384**	98,002
	91,448	216,667

Trade receivables are generally due within 14 to 30 days from the date of invoice.

11. CONSTRUCTION CONTRACTS

(a) Contract assets

The Group's contract assets are analysed as follows:

	Notes	**30 June 2019**	1 July 2018	30 June 2018
		RM'000	*RM'000*	*RM'000*
			(note (i))	
Contract assets				
Arising from performance under construction contracts	*(ii), (iv)*	**46,753**	44,189	—
Retention receivables	*(ii), (iii)*	**55,529**	55,242	—
		102,282	99,431	—
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" *(Note 10)*		**91,448**	212,884	

Notes:

(i) The Group had initially applied HKFRS 9 and HKFRS 15 using the cumulative effect method and adjusted the opening balances at 1 July 2018.

(ii) Upon the adoption of HKFRS 9, opening adjustments were made at 1 July 2018 to recognise additional expected credit losses (ECLs) on contract assets. This had resulted in a decrease in this balance as at that date (see Note 3).

(iii) Upon the adoption of HKFRS 15, retention receivables, for which the Group's entitlement to the consideration was conditional on achieving certain milestones or satisfactory completion of the retention period, were reclassified from "Trade and other receivables" to contract assets (see Note 3).

(iv) Upon the adoption of HKFRS 15, amounts previously included as "Amounts due from contract customers" were reclassified to contract assets (see Note 3).

(b) Contract liabilities

	Note	**30 June 2019**	1 July 2018	30 June 2018
		RM'000	*RM'000*	*RM'000*
			(note (i))	
Contract liabilities				
Construction contracts				
— Billings in advance of performance	*(ii)*	**89**	7,788	—

Notes:

(i) The Group had initially applied HKFRS 15 using the cumulative effect method and adjusted the opening balance at 1 July 2018.

(ii) Upon the adoption of HKFRS 15, amounts previously included as "Amounts due to contract customers" were reclassified to contract liabilities (see Note 3).

(c) Amounts from from/(to) contract customers

	2019	2018
	RM'000	*RM'000*
Contract costs incurred plus recognised profits less recognised losses	—	758,795
Less: progress billings	—	(722,331)
	—	36,464
Analysed for reporting purpose as:		
Amounts due from contract customers	—	44,252
Amounts due (to) contract customers	—	(7,788)
	—	36,464

12. TRADE AND OTHER PAYABLES

	2019	2018
	RM'000	*RM'000*
Trade payables	**178,544**	284,840
Other payables and accruals	**3,111**	24,592
Retention payables	**17,973**	11,114
	199,628	320,546

Note: Except for the amounts of approximately RM7,994,000 (2018: RM5,688,000) included in the retention payables as at 30 June 2019 which are expected to be settled after one year, all of the trade and other payables are expected to be settled within one year or are repayable on demand.

Aging analysis of trade payables

As at the end of each reporting period, the aging analysis of trade payables, based on the invoice date, is as follows:

	2019	2018
	RM'000	*RM'000*
Within 30 days	**59,892**	102,611
31 to 90 days	**11,766**	62,669
Over 90 days	**106,886**	119,560
	178,544	284,840

13. SHARE CAPITAL

Authorised Shares of HK$0.01 each:

	Notes	**No. of shares**	**Amount** *RM'000*
At 30 April 2018 (date of incorporation)	*(i)*	38,000,000	190
At 30 June 2018		38,000,000	190
Increase in authorised share capital	*(ii)*	1,962,000,000	10,345
At 30 June 2019		2,000,000,000	10,535

Issued and fully paid Shares of HK$0.01 each:

	Notes	No. of Shares	Amount *RM'000*
Issue of Shares upon the incorporation	*(i)*	1	—*
Issue of Shares	*(i)*	9,999	—*
At 30 June 2018		10,000	—*
Issue of Shares upon Reorganisation	*(iii)*	34,295,000	184
Loan capitalisation	*(iv)*	3,195,000	17
Capitalisation issue	*(v)*	337,500,000	1,803
Issue of Shares upon global offering	*(vi)*	125,000,000	668
At 30 June 2019		500,000,000	2,672

* *The balance represents an amount less than RM1,000.*

Notes:

(i) The Company was incorporated in the Cayman Islands on 30 April 2018 with an authorised share capital of HK$380,000 divided into 38,000,000 Shares of a par value of HK$0.01 each. As at the date of incorporation, 1 Share was allotted and issued. On the same date, a further 9,999 Shares were allotted and issued.

(ii) Pursuant to the written resolutions of the sole shareholder of the Company passed on 11 April 2019, the authorised share capital of the Company was increased from HK$380,000 to HK$20,000,000 by the creation of additional 1,962,000,000 Shares of HK$0.01 each.

(iii) On 5 December 2018, through the Reorganisation, the Company issued a total of 31,692,000 Shares as consideration for the Group's acquisition of the entire issued capital of JBB Builders (M) Sdn. Bhd. and 50% issued capital of Gabungan Jasapadu Sdn. Bhd. respectively.

On 13 December 2018, through the Reorganisation, the Company issued a total of 2,603,000 Shares as consideration for the Group's acquisition of the entire issued capital of Pavilion Ingenious Sdn. Bhd..

(iv) On 11 April 2019, pursuant to a loan capitalisation agreement with its shareholder, the Company allotted and issued 3,195,000 Shares, credited as fully paid to the then shareholder by way of capitalisation of the loan in the amount of HK$15,000,000 (equivalent to approximately RM7,909,000) owing by the Company to the then shareholder.

(v) Pursuant to the written resolutions of the sole shareholder of the Company passed on 11 April 2019, a total of 337,500,000 Shares of HK$0.01 each were allotted and issued, credited as fully paid at par, to the then shareholders, by way of capitalisation of a sum of HK$3,375,000 (equivalent to approximately RM1,803,000) standing to the credit of the share premium account of the Company (the "**Capitalisation Issue**") on 10 May 2019.

(vi) On 10 May 2019, 125,000,000 Shares of HK$0.01 each of the Company were issued at a price of HK$1.18 per Share by global offering. On the same date, the Shares were listed on the Main Board of the Stock Exchange. The proceeds of HK$1,250,000 (equivalent to approximately RM668,000) representing the par value of the Shares, were credited to the Company's share capital. The remaining proceeds of HK$146,250,000 (equivalent to approximately RM78,160,000), before issuing expenses, were credited to share premium account of the Company.

(vii) The share capital balance in the consolidated statement of financial position as at 1 July 2017, 30 June 2018 and 1 July 2018 represented the aggregate share capital attributable to the owners of the companies now comprising the Group after elimination of investments in subsidiaries.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 10 May 2019 (the "**Listing Date**"), the Shares were listed on the Main Board of the Stock Exchange.

The Group is an established engineering contractor based in Malaysia. The business is divided into two major types of services:

— Marine construction services — core business, which can be categorised into:

(a) reclamation and related works, which include land reclamation and other marine civil works. Reclamation may involve soil investigation, hydrographic survey, pre-reclamation design, sand handling/filling, ground treatment, sand surcharge removal work and other related works. Marine civil works generally include construction of jetty, channel-crossing works, maintenance dredging and river diversion; and

(b) marine transportation, which involves transportation of marine sand, the filling material normally used in land reclamation, including the loading of marine sand extracted from the approved sand source onto sand carriers, carriage and delivery of marine sand to designated sites where the marine sand is unloaded to be used for land reclamation.

— Building and infrastructure services — the services include general building works in construction of properties and infrastructure works.

During the year ended 30 June 2019, the Group had completed a total of 13 marine construction contracts, which comprised of 8 reclamation and related works contracts and 5 marine transportation contracts with an aggregate original contract sum of approximately RM299.5 million, and total of 6 building and infrastructure contracts with an aggregate original contract sum of approximately RM33.2 million.

As at 30 June 2019, the Group had 8 ongoing marine construction contracts comprising 5 reclamation and related works contracts, 2 marine transportation contracts and 1 reclamation and related works and marine transportation contract with an aggregate original contract sum of approximately RM508.0 million, and 12 ongoing building and infrastructure contracts with an aggregate original contract sum of approximately RM493.2 million.

During the year ended 30 June 2019, the Group had submitted 3 tenders and 17 quotations for marine construction contracts and 10 tenders and 7 quotations for building and infrastructure contracts with aggregate original contract sum of approximately RM957.5 million. Together with 2 tenders and 4 quotations with an expected contract sum of approximately RM598.3 million submitted which had yet to received results as at 30 June 2018, the Group had been awarded 23 contracts with an aggregate original contract sum of approximately RM788.6 million. Amongst of which the awarded contracts, 7 were awarded from new customers. As at 30 June 2019, the Group had 4 tenders and 8 quotations with an aggregate expected contract sum of approximately RM706.1 million submitted which had yet to receive results.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately RM207.9 million or 38.7% from approximately RM537.8 million for the year ended 30 June 2018 to approximately RM329.9 million for the year ended 30 June 2019. Such decrease was mainly due to the reduction in volume of work for marine construction services for the year ended 30 June 2019 following the completion of certain key contracts which contributed to a substantial portion of the revenue for the year ended 30 June 2018. The reduction of volume is further affected by the unexpected delay in the commencement of new constructions contracts secured during the current financial year as longer time was required to obtain approval on the commencement of marine construction work from the authorities by the customers and/or due to the change of design layout by the customers. Subsequently, one of the contracts has been gradually executed since July 2019. However, it takes time for the customers to get the approval from the authorities and/or confirm the change of design layout for the remaining contracts. Based on the latest discussion with customers, our Directors expected that these contracts may be commenced by late 2019.

Marine construction services

Revenue from marine construction services represented approximately 50.8% of the total revenue for the year ended 30 June 2019. It decreased by approximately RM291.1 million or 63.4% from approximately RM458.8 million for the year ended 30 June 2018 to approximately RM167.7 million for the year ended 30 June 2019.

Revenue from reclamation and related works, which represented approximately 11.3% of the total revenue from marine construction services for the year ended 30 June 2019, decreased by approximately RM79.3 million or 80.8% from approximately RM98.2 million for the year ended 30 June 2018 to approximately RM18.9 million for the year ended 30 June 2019. Such decrease was mainly due to the reduction in volume of work following the completion of certain key contracts such as contracts for the Forest City Project and the R&F Princess Cove Project which contributed to a substantial portion of the revenue for the year ended 30 June 2018.

Revenue from marine transportation, which represented approximately 88.7% of the total revenue from marine construction services for the year ended 30 June 2019, decreased by approximately RM211.8 million or 58.7% from approximately RM360.6 million for the year ended 30 June 2018 to approximately RM148.8 million for the year ended 30 June 2019. Such decrease was mainly due to the reduction in volume of sand transported during the year ended 30 June 2019 following the completion of certain key contracts such as contracts for the marine transportation of sand to Tuas, Singapore and marine transportation of sand for the golf course of the Forest City Project which contributed to a substantial portion of the revenue for the year ended 30 June 2018.

Building and infrastructure services

Revenue from building and infrastructure services represented approximately 49.2% of the total revenue for the year ended 30 June 2019. Revenue from building and infrastructure services increased by approximately RM83.2 million or 105.3% from approximately RM79.0 million for the year ended 30 June 2018 to approximately RM162.2 million for the year ended 30 June 2019. Such increase was mainly due to the new contracts secured by the Group and substantial works conducted for the ongoing contracts during the year ended 30 June 2019 compared with the year ended 30 June 2018.

Gross profit and gross profit margin

As a result of the decrease in revenue for the year ended 30 June 2019, gross profit dropped by approximately RM32.6 million or 45.9% from approximately RM71.0 million for the year ended 30 June 2018 to approximately RM38.4 million for the year ended 30 June 2019.

The overall gross profit margin decreased from 13.2% for the year ended 30 June 2018 to 11.6% for the year ended 30 June 2019. The decrease was mainly due to the lower gross profit margin for marine construction services which incurred higher construction costs as a result of speeding up the progress as requested by customers for the year ended 30 June 2019, but offsetting by the higher gross profit margin for building and infrastructure services.

Other revenue

The other revenue decreased from approximately RM2.9 million for the year ended 30 June 2018 to approximately RM1.7 million for the year ended 30 June 2019, which was mainly due to the decrease in transportation income from providing transportation to the workers of subcontractors to commute to construction sites and the decrease in handling service fee for the provision of diesel, and offsetting by the increase in the bad debts recovered of approximately RM0.9 million.

Other net income/(loss)

Other net income was approximately RM358,000 for the year ended 30 June 2019, mainly due to the gain on disposal of certain motor vehicles of the Group of approximately RM0.7 million, net foreign exchange gain of approximately RM0.2 million but netting off the fair value loss on investment properties of approximately RM0.6 million, whereas the Group recorded other net loss of approximately RM2.0 million for the year ended 30 June 2018, which was mainly due to the net foreign exchange loss.

Reversal/(allowance) for impairment loss on trade receivables and contract assets

Reversal for impairment loss on trade receivables and contract assets was approximately RM3.4 million for the year ended 30 June 2019 whereas impairment losses on trade receivables of approximately RM0.2 million was recorded for the year ended 30 June 2018. Due to the initial application of HKFRS 9, the Group has measured the expected credit losses and recognised approximately RM3.9 million as the additional impairment losses at 1 July 2018. Such amounts were mainly attributable to the past due trade receivables and contract assets following the implementation of expected credit losses under HKFRS 9. As at 30 June 2019, the past due trade receivables and contract assets were greatly reduced. The Group has remeasured the loss allowances and a reversal of impairment loss of approximately RM3.4 million was recognised for the year ended 30 June 2019.

General and administrative expenses

General and administrative expenses decreased by approximately RM10.2 million or 37.8% from approximately RM27.0 million for the year ended 30 June 2018 to approximately RM16.8 million for the year ended 30 June 2019. Such decrease was mainly due to the significant reduction of provision for performance bonuses to the Directors for the year ended 30 June 2019 following the decrease in profit recorded for the same period, as compared with the year ended 30 June 2018.

Income tax expenses

Income tax expenses decreased by approximately RM4.9 million or 38.9% from approximately RM12.6 million for the year ended 30 June 2018 to approximately RM7.7 million for the year ended 30 June 2019. The decrease was mainly due to the reduction in profit before tax for the year ended 30 June 2019 as compared with the year ended 30 June 2018.

Finance costs

Finance costs remained relatively stable at approximately RM0.2 million for the year ended 30 June 2019 as compared with approximately RM0.3 million for the year ended 30 June 2018.

Profit for the year attributable to owners of the Company

The Group reported profit attributable to owners of the Company of approximately RM19.6 million for the year ended 30 June 2019, representing a decrease of approximately 15.2% from approximately RM23.1 million for the year ended 30 June 2018. Excluding the one-off listing expenses for the year ended 30 June 2019 of approximately RM5.5 million (2018: RM 7.1 million), profit attributable to owners of the Company would have been approximately RM25.1 million (2018: RM30.2 million), representing a decrease of approximately 16.9% compared with the year ended 30 June 2018.

Final dividends

The Board have resolved to recommend the payment of a final dividend of HK$0.02 per Share for the year ended 30 June 2019 to the shareholders of the Company whose names appeared on the register of members of the Company on 29 November 2019, which will be amounting to HK$10,000,000 in aggregate. The proposed final dividend will be paid on 13 December 2019 following the approval at the forthcoming annual general meeting of the Company to be held on 20 November 2019.

CORPORATE FINANCE AND RISK MANAGEMENT

Liquidity and Financial Resources

The Group finances its working capital requirements through a combination of cash generated from operations, shareholder's equity and banking facilities.

The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

As at 30 June 2019, the Group had cash and cash equivalents of approximately RM114.6 million (2018: RM41.6 million) and pledged bank deposits of approximately RM5.6 million (2018: RM5.6 million). The increment is mainly contributed from the net proceeds received from the Listing. All are denominated in Hong Kong dollars and RM.

As at 30 June 2019, the Group had bank loan of approximately RM0.5 million (2018: RM0.7 million) carrying interest rate at 5.78% (2018: 5.83%) and obligations under finance leases of approximately RM2.3 million (2018: RM3.5 million) carrying interest rate ranging from 4.6% to 6.8% (2018: ranging from 4.6% to 6.9%). All are denominated in RM.

The Group continued to maintain a healthy liquidity position. As at 30 June 2019, the current ratio remained stable at approximately 1.6 times (2018: 1.1 times). The increment was mainly due to the proceeds received upon the Listing of the Company and the Group had maintained sufficient liquid assets to finance its operations. The gearing ratio decreased from approximately 9.7% as at 30 June 2018 to approximately 2.1% as at 30 June 2019 which was mainly due to the increase in total equity arising from the Listing of the Company.

Capital structure

The Shares were successfully listed on the Main Board of the Stock Exchange on the Listing Date. Since then, there had been no change in the capital structure of the Group up to 30 June 2019. The capital structure of the Company comprises of issued share capital and reserves. As at 30 June 2019, the Company had 500,000,000 Shares in issue.

Capital commitments

As at 30 June 2019, the Group had no capital commitments (2018: nil).

Operating lease commitments

As at 30 June 2019, the Group had future aggregate minimum lease rental expenses in respect of offices premises and equipment under non-cancellable operation leases of approximately RM192,000 (2018: RM197,000).

Pledge of assets

As at 30 June 2019, pledged bank deposits of approximately RM5.6 million (2018: RM5.6 million) have been pledged to banks as security for banking facilities granted to the Group with approximately RM5.6 million (2018: RM5.4 million) related to performance bond. Pledged bank deposits related to performance bond includes (i) back-to-back cash; (ii) minimum amount of deposits pledged to a bank for a facility line for performance bond; (iii) sinking fund (calculated at 6% of the progress payment from the particular contract related to the corresponding performance bond); and (iv) interest income of deposits pledged to bank.

Investment properties with carrying amount of approximately RM3.3 million (2018: nil) as at 30 June 2019 was pledged to a bank as security for bank facilities granted to the Group.

Contingent liabilities

As at 30 June 2019, the Group had contingent liabilities in respect of performance bonds for contracts in favour of customers of approximately RM991,000 (2018: RM786,000).

The performance bonds were given by banks in favour of some of 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 bonds have been given, such customers may demand the banks to pay to them the sum or sums stipulated in such demand. The Group will then become liable to compensate such banks accordingly. The performance bonds will be released based on the terms of the respective contracts for the relevant customers. The performance bonds were secured and guaranteed by i) deposits with licensed bank of RM5.6 million; and ii) joint and several guarantees given by the Directors of the Group for the year ended 30 June 2019.

Risk management

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, contract assets, pledged bank deposits and cash at banks. Management had a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group had significant exposure to individual customers. As at 30 June 2019, 43% (2018: 69%) of the total gross trade and retention receivables and contract assets was due from the Group's largest customer and 98% (2018: 97%) of the total gross trade and retention receivables and contract assets were due from the Group's five largest customers.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Normally, the Group does not obtain collateral from customers.

Effective on 1 July 2018, the Group measures loss allowances for trade receivables and contract assets at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. Expected loss rates are based on actual loss experience over the past 2 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Cash and cash equivalents and pledged bank deposits are mainly placed with reputable financial institutions with high credit-ratings assigned by international credit-rating agencies. There has been no recent history of default in relation to these financial institutions.

Interest rate risk

The Group exposed to fair value interest rate risk in relation to the Group's fixed-rate short-term pledged bank deposits and obligations under finance leases. The management of the Group considers that the Group's exposure from these fixed-rate short-term pledged bank deposits and obligations under finance leases to interest rate risk is not significant.

The Group's interest rate risk arises primarily from cash at banks and bank loan. Cash at banks and bank loan at variable rates expose the Group to cash flow interest rate risk. The Group does not anticipate significant impact to cash at banks and bank loan because the interest rates are not expected to change significantly.

Foreign currency exchange risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure closely and to keep the net exposure to an acceptable level. The Group will consider hedging significant foreign currency exposure should the need arise.

For the risks and uncertainties facing the Group, please refer to the section headed "Risk Factors" in the Prospectus.

SIGNIFICANT INVESTMENTS HELD

Save as disclosed in the Prospectus, the Group did not hold any significant investments during the year ended 30 June 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus, the Group did not have other plans for material investments and capital assets as at 30 June 2019.

MATERIAL ACQUISITIONS AND DISPOSALS

Save as disclosed in in the section headed "History, Development and Reorganisation" in the Prospectus, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the year ended 30 June 2019.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there were no other important events affecting the Group that have occurred since 30 June 2019 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 30 June 2019, excluding the Directors, the total number of full-time employees of the Group was approximately 76 (2018: 86). The Group determines the remuneration of its employees with references to market rates and individual's qualifications, experience, skills, performance and contributions. The Group regularly reviews compensation and benefits policies as well as the individual performance of employees and encourages the employees to pursue their professionalism and personal goals. The Company adopted a share option scheme so that the Company may grant options to the eligible persons as incentives or rewards for their contributions to the Group.

In addition, employees are always encouraged to attend job-related seminars, courses and programs organised by professional or educational institutions, in Malaysia, Hong Kong or other jurisdiction.

PROSPECTS

During the year ended 30 June 2019, there was slowdown on the progress of certain projects and delay in the commencement of new construction contracts given the longer time required to obtain approval on the commencement of marine construction work from the authorities by the customers and change of design layout by the customers. The delays in provision of the Group's works to the customers was therefore resulting in decrease in the Group's revenue from approximately RM537.8 million for the year ended 30 June 2018 to approximately RM329.9 million for the year ended 30 June 2019.

Changes in the local and global economy and the evolving political development make the future at best difficult to predict. Although the Group anticipates challenging period ahead, the Group's strong financial position, coupled with favorable initiative from the Malaysian Government in the form of the 11th Malaysia Plan in which the Government continues to invest in enhancing its citizens' welfare and quality of life especially by prioritising housing construction and good infrastructure for transport and other communication linkages, and together with the Transformasi National, a 30-year transformation plan which leads to expected rise of megacities due to continued trend of urbanisation, the Board is confident of the future prospects of the marine construction, building and infrastructure business. The Board is sure that the Group's enhanced financial resources from the global offering shall enable us to further expand the operations and achieve stable growth of the business.

With the solid experiences in doing business in Malaysia, the Group is assured that its own corporate culture shall guide it through the challenges ahead, as it had in the past. To complement the above, upon Listing, the Group has also put in place various corporate governance measures to ensure that the Company, the Board and the management of the Group are working towards the expected standard of corporate ethics and governance.

The Group is going to set up a wholly-owned subsidiary in Hong Kong which will be engaged in the trading business of sand and construction. The Board believes that with the Group's extensive networks of sand source in Malaysia on one hand and the stable demand of various types of sand from the People's Republic of China (the "**PRC**") and Hong Kong on the other hand, the sand trading business may not only contribute additional profit but also facilitate the Group to explore business opportunities of the marine construction industry in the PRC and Hong Kong. The Group views this new venture outside Malaysia optimistically and is confident that it will bring about positive impact on the Group's business in the time to come.

Going forward, the Group will continue to focus on the existing projects on hand while continue to explore new business opportunities including projects in public and private sector. Despite the future is hard to predict, the Group will implement the future plans as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus cautiously. The Directors believe that the government's long-term policies for large scale infrastructure projects and land supply to public and private sectors will favour the demand of the Group's business and the Group is well-positioned to take up new projects in the coming year.

USE OF PROCEEDS

The net proceeds of the global offering of the Shares received by the Company were approximately HK$125.2 million (approximately RM62.6 million), after deduction of underwriting fees and related listing expenses, of which HK$15.0 million of the total amount of fees and expenses in connection with the global offering of the Shares had been paid from the proceeds of the pre-IPO investments. Set out below is the breakdown of use of net proceeds from the global offering of the Shares from the Listing Date up to 30 June 2019:

Use of net proceeds as at 30 June 2019	**Percentage of net proceeds** *%*	**Amount** *RM million*	**Amount utilised** *RM million*	**Actual balance as at 30 June 2019** *RM million*
Acquiring one rebuilt sand carrier from one of the existing subcontractors for marine transportation services	**57.8**	**36.2**	**—**	**36.2**
Purchasing new land-based machineries	**7.3**	**4.6**	**—**	**4.6**
Satisfying performance bonds requirement of prospective projects	**23.5**	**14.7**	**—**	**14.7**
Upgrading the information technology and project management systems	**0.7**	**0.4**	**—**	**0.4**
Recruiting and expanding management team for the building and infrastructure works	**3.4**	**2.1**	**—**	**2.1**
Working capital and general corporate purposes	**7.3**	**4.6**	**(4.6)**	**—**
	100.0	**62.6**	**(4.6)**	**58.0**

Such utilisation of the net proceeds was in accordance with the proposed allocations as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at 30 June 2019, approximately RM58.0 million (representing approximately 92.7%) of the net proceeds from the global offering had not yet been utilised. The unutilised portion of the net proceeds were deposited in the Group's banks in Hong Kong and Malaysia and is intended to be utilised in the manner consistent with the proposed allocation as set forth in the Prospectus.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the right to attend and vote at the annual general meeting, the register of members of the Company will be closed from 15 November 2019 to 20 November 2019, both days inclusive, during which no transfer of Shares of the Company will be registered. In order to be entitled to attend and vote at the annual general meeting, unregistered holders of Shares of the Company should ensure that all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 14 November 2019.

Subject to the approval of shareholders of the Company at the annual general meeting, the proposed final dividend will be payable to shareholders of the Company whose names appear on the register of members of the Company on 29 November 2019. The register of members of the Company will be closed from 26 November 2019 to 29 November 2019, both days inclusive, during which no transfer of Shares of the Company will be registered. In order to be entitled to the proposed final dividend, unregistered holders of Shares of the Company should ensure that all transfers of Shares accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the office of the Company's share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 25 November 2019.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date. During the period from the Listing Date and up to the date of this announcement, the Board is of view that the Company had adopted and complied with all applicable code provisions set out in the Corporate Governance Code in the Appendix 14 to the Listing Rules ("**CG Code**").

MODEL CODE FOR SECURITIES TRANSACTIONS BY THE DIRECTORS

The Company adopted the Model Code for Securities Transactions by the Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the Company by the Directors. The Company had made specific enquiry with all the Directors and the Directors confirmed that they have complied with the required standard as set out in the Model Code regarding securities transactions by the Directors since the Listing Date and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities from the Listing Date to 30 June 2019.

AUDIT COMMITTEE

The Company established the audit committee on 11 April 2019 with written terms of reference in compliance with Rules 3.21 of the Listing Rules and paragraph C.3.3 of the CG Code. The audit committee consists of three independent non-executive Directors, namely Mr. Tai Shin Lam, Mr. Wong Kwok Wai Albert and Ms. Chan Pui Kwan. Mr. Tai Shin Lam is the chairman of the audit committee.

The audit committee of the Company had reviewed the accounting principles and policies adopted by the Group and the financial reporting matters including annual results and the audit of the consolidated financial statements of the Group for the year ended 30 June 2019.

SCOPE OF WORK OF INDEPENDENT AUDITORS

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 June 2019 as set out in the preliminary announcement have been agreed by the Group's external auditors, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 30 June 2019.

The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on this preliminary results announcement.

PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the respective websites of the Stock Exchange (***www.hkexnews.hk***) and the Company (***www.jbb.com.my***). The annual report for the year ended 30 June 2019 containing all the information required by the Listing Rules will be available on the above websites and despatched to shareholders of the Company in due course.

APPRECIATION

The Board would like to express its sincere gratitude to the shareholders, management team, employees, business partners and customers of the Group for their support and contribution to the Group.

By order of the Board
JBB Builders International Limited
Dato' Ng Say Piyu
Chairman and executive Director

Hong Kong, 26 September 2019

As at the date of this announcement, the Board comprises Dato' Ng Say Piyu, Mr. Lam Fung Eng and Mr. Ng Chong Boon, as executive Directors, Datin Ngooi Leng Swee as non-executive Director, Mr. Tai Lam Shin, Mr. Wong Kwok Wai, Albert and Ms. Chan Pui Kwan as independent non-executive Directors.