JBB BUILDERS INTERNATIONAL LIMITED

(Incorporated in the Cayman Islands with limited liability)
Stock Code : 1903

2019
INTERIM REPORT

Contents

Corporate Information

BOARD OF DIRECTORS

Executive Directors

Dato' Ng Say Piyu *(Chairman)*
Mr. Lam Fung Eng
Mr. Ng Chong Boon

Non-executive Director

Datin Ngooi Leng Swee

Independent non-executive Directors

Mr. Tai Lam Shin
Mr. Wong Kwok Wai, Albert
Ms. Chan Pui Kwan

AUDIT COMMITTEE

Mr. Tai Lam Shin *(Chairman)*
Mr. Wong Kwok Wai, Albert
Ms. Chan Pui Kwan

REMUNERATION COMMITTEE

Mr. Tai Lam Shin *(Chairman)*
Dato' Ng Say Piyu
Ms. Chan Pui Kwan

NOMINATION COMMITTEE

Dato' Ng Say Piyu *(Chairman)*
Mr. Tai Lam Shin
Mr. Wong Kwok Wai, Albert
Ms. Chan Pui Kwan

COMPANY SECRETARY

Ms. Lam Lam

AUTHORISED REPRESENTATIVES (FOR THE PURPOSE OF THE LISTING RULES)

Mr. Lam Fung Eng
Ms. Lam Lam

AUTHORISED REPRESENTATIVE (FOR THE PURPOSE OF THE COMPANIES ORDINANCE)

Ms. Lam Lam

AUDITOR

Crowe (HK) CPA Limited

9/F, Leighton Centre
77 Leighton Road
Causeway Bay
Hong Kong

COMPLIANCE ADVISOR

Alliance Capital Partners Limited

Room 1502–03A, 15/F, Wing On House
71 Des Voeux Road Central
Hong Kong

LEGAL ADVISORS AS TO HONG KONG LAW

Ma Tang & Co.

Rooms 1508–1513, Nan Fung Tower
88 Connaught Road Central
Central
Hong Kong

PRINCIPAL BANKERS

DBS Bank (HK) Limited

16/F The Center
99 Queen's Road Central
Hong Kong

Bank of Communications Co., Ltd., Hong Kong Branch

10/F., Fortis Tower
No. 77 Gloucester Road
Wan Chai
Hong Kong

Corporate Information

Affin Bank Berhad

17th Floor, Menara Affin
80, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

AmBank Islamic Berhad

Level 31, Metropolis Tower
Jalan Dato' Abdullah Tahir
80300 Johor Bahru
Malaysia

Maybank Islamic Berhad

Level 8, Office Tower
Johor Bahru City Square
No. 108, Jalan Wong Ah Fook
80000 Johor Bahru
Malaysia

REGISTERED OFFICE

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

HEADQUARTERS IN MALAYSIA

No. 20–01, Jalan Sri Perkasa 2/18
Taman Tampoi Utama
81200 Johor Bahru
Malaysia

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1222, 12/F, Soundwill Plaza II — Midtown
1–29 Tang Lung Street
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited

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

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

STOCK NAME/CODE

JBB BUILDERS/1903

COMPANY'S WEBSITE

www.jbb.com.my

Management Discussion and Analysis

The board (the "**Board**") of directors (the "**Directors**") of JBB Builders International Limited (the "**Company**") is pleased to present the first interim report of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 31 December 2019 together with the comparative figures for the six months ended 31 December 2018.

BUSINESS REVIEW

On 10 May 2019 (the "**Listing Date**"), the ordinary shares of the Company (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (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 six months ended 31 December 2019, the Group had completed a total of 3 marine construction contracts, which are all reclamation and related works contracts with an aggregate original contract sum of approximately RM7.8 million, and a total of 5 building and infrastructure contracts with an aggregate original contract sum of approximately RM50.1 million.

As at 31 December 2019, the Group had 6 ongoing marine construction contracts comprising 3 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 RM500.7 million, and 11 ongoing building and infrastructure contracts with an aggregate original contract sum of approximately RM483.0 million.

During the six months ended 31 December 2019, the Group had submitted 1 quotation for marine construction contract and 10 tenders and 5 quotations for building and infrastructure contracts with aggregate original contract sum of approximately RM782.3 million. Together with 4 tenders and 8 quotations with an expected contract sum of approximately RM692.6 million submitted which had yet to received results as at 30 June 2019 (including the impact of revised quotation amount submitted subsequently), the Group had been awarded 5 contracts with an aggregate original contract sum of approximately RM40.4 million. Amongst of the awarded contracts, 3 were awarded from new customers. As at 31 December 2019, the Group submitted 10 tenders and 6 quotations with an aggregate expected contract sum of approximately RM1,076.1 million for which the results were still pending.

FINANCIAL REVIEW

Revenue

Revenue decreased by approximately RM79.4 million or 46.5% from approximately RM170.7 million for the six months ended 31 December 2018 to approximately RM91.3 million for the six months ended 31 December 2019. Such decrease was mainly due to the reduction in volume of work for marine construction services for the six months ended 31 December 2019 following the completion of certain key contracts which contributed to a substantial portion of the revenue for the six months ended 31 December 2018. The reduction of volume is further affected by the slowdown on the progress of the on-going projects as a result of change of work schedules initiated by the customers and as affected by adverse weather conditions; and further delay in the commencement of certain new contracts secured during the year ended 30 June 2019 given that certain customers required longer time to obtain government's approval on the commencement of marine construction work, and change of design layout by the customers.

Marine construction services

Revenue from marine construction services represented approximately 39.5% of the total revenue for the six months ended 31 December 2019. It decreased by approximately RM68.6 million or 65.5% from approximately RM104.7 million for the six months ended 31 December 2018 to approximately RM36.1 million for the six months ended 31 December 2019.

Revenue from reclamation and related works, which represented approximately 25.2% of the total revenue from marine construction services for the six months ended 31 December 2019, decreased by approximately RM1.4 million or 13.3% from approximately RM10.5 million for the six months ended 31 December 2018 to approximately RM9.1 million for the six months ended 31 December 2019. Such decrease was mainly due to the slowdown on the progress of the on-going projects as a result of change of work schedules initiated by the customers and the reduction in volume of work following the completion of certain key contract such as the contract for the Forest City Project which contributed to a substantial portion of the revenue for the six months ended 31 December 2018.

Revenue from marine transportation, which represented approximately 74.8% of the total revenue from marine construction services for the six months ended 31 December 2019, decreased by approximately RM67.2 million or 71.3% from approximately RM94.2 million for the six months ended 31 December 2018 to approximately RM27.0 million for the six months ended 31 December 2019. Such decrease was mainly due to the delay in the commencement of certain new contracts given that certain customers required longer time to obtain government's approval on the commencement of marine construction work and the reduction in volume of sand transported following the completion of certain key contracts such as contracts for the marine transportation of sand for the Lido Waterfront Project and the golf course of the Forest City Project which contributed to a substantial portion of the revenue for the six months ended 31 December 2018.

Management Discussion and Analysis

Building and infrastructure services

Revenue from building and infrastructure services represented approximately 60.5% of the total revenue for the six months ended 31 December 2019. Revenue from building and infrastructure services decreased by approximately RM10.7 million or 16.2% from approximately RM65.9 million for the six months ended 31 December 2018 to approximately RM55.2 million for the six months ended 31 December 2019. Such decrease was mainly due to the slowdown on the progress of the on-going projects as a result of change of work schedules initiated by the customers during the six months ended 31 December 2019 compared with the six months ended 31 December 2018.

Gross profit and gross profit margin

As a result of the decrease in revenue for the six months ended 31 December 2019, gross profit dropped by approximately RM2.3 million or 13.6% from approximately RM16.9 million for the six months ended 31 December 2018 to approximately RM14.6 million for the six months ended 31 December 2019.

The overall gross profit margin increased from 9.9% for the six months ended 31 December 2018 to 16.0% for the six months ended 31 December 2019. The increase was mainly due to higher gross profit margin achieved for certain contracts related to marine transportation services and building and infrastructure services, but offsetting by the lower gross profit margin for reclamation and related works.

Other revenue

The other revenue decreased from approximately RM1.3 million for the six months ended 31 December 2018 to approximately RM1.2 million for the six months ended 31 December 2019, which was mainly due to the absence of bad debts recovered which was approximately RM0.9 million during the six months ended 31 December 2018, but offsetting by the increase in interest income of approximately RM1.0 million arising from depositing the unutilised portion of the net proceeds of the global offering of the Shares received by the Company in the Group's banks in Hong Kong and Malaysia during the six months ended 31 December 2019.

Other net income

Other net income was approximately RM0.1 million for the six months ended 31 December 2019 which mainly included net foreign exchange gain as compared with approximately RM0.3 million for the six months ended 31 December 2018 which comprised of net foreign exchange gain of approximately RM0.2 million and gain on disposal of certain motor vehicles of the Group of approximately RM0.7 million but netting off the fair value loss on investment properties of approximately RM0.6 million.

(Allowance)/reversal for impairment loss on trade receivables and contract assets

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 31 December 2018, the Group has remeasured the loss allowances and a reversal of impairment loss of approximately RM957,000 was recognised for the six months ended 31 December 2018 due to the reduction of past due trade receivables and contract assets. As at 31 December 2019, past due trade receivables and contract assets increased and additional allowances of approximately RM2.2 million was recognised for the six months ended 31 December 2019.

General and administrative expenses

General and administrative expenses increased by approximately RM0.4 million or 5.0% from approximately RM8.0 million for the six months ended 31 December 2018 to approximately RM8.4 million for the six months ended 31 December 2019. Such increase was mainly due to the increase in staff cost and professional and compliance cost incurred netting off the absence of listing expenses after Listing for the six months ended 31 December 2019.

Income tax expenses

Income tax expenses decreased by approximately RM1.4 million or 40.0% from approximately RM3.5 million for the six months ended 31 December 2018 to approximately RM2.1 million for the six months ended 31 December 2019. The decrease was mainly due to the reduction in profit before tax for the six months ended 31 December 2019 as compared with the six months ended 31 December 2018.

Finance costs

Finance costs remained relatively stable at approximately RM0.1 million for both the six months ended 31 December 2019 and the six months ended 31 December 2018.

Profit for the period attributable to owners of the Company

The Group reported profit attributable to owners of the Company of approximately RM7.3 million for the six months ended 31 December 2018, decreased by approximately RM3.1 million to approximately RM4.2 million for the six months ended 31 December 2019.

Dividends

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

Management Discussion and Analysis

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 31 December 2019, the Group had cash and cash equivalents of approximately RM105.6 million (30 June 2019: RM114.6 million), fixed deposits with maturity over three months of approximately RM5.0 million (30 June 2019: nil) and pledged bank deposits of approximately RM7.0 million (30 June 2019: RM5.6 million). The decrement is mainly due to the net operating cash outflows during the six months ended 31 December 2019. All are denominated in Hong Kong dollars and RM.

As at 31 December 2019, the Group had bank loan of approximately RM5.9 million (30 June 2019: RM0.5 million) carrying interest rate at 7.70% (30 June 2019: 5.78%) and lease liabilities of approximately RM1.7 million (30 June 2019: RM2.3 million) carrying interest rate ranging from 4.6% to 8.2% (30 June 2019: ranging from 4.6% to 6.8%). All are denominated in RM.

The Group continued to maintain a healthy liquidity position. As at 31 December 2019, the current ratio remained stable at approximately 1.7 times (30 June 2019: 1.6 times). The gearing ratio increased from approximately 2.1% as at 30 June 2019 to approximately 5.6% as at 31 December 2019 which was mainly due to the increase in bank loan and lease liabilities and decrease in total equity of the Group. Gearing ratio is calculated based on the total loans and borrowings (which represent bank loans and lease liabilities) divided by total equity at the end of the year/period.

Capital structure

There had been no change in the capital structure of the Group during the six months ended 31 December 2019.

Capital commitments

As at 31 December 2019, the Group had capital commitments of approximately RM0.4 million (30 June 2019: nil).

Pledge of assets

As at 31 December 2019, pledged bank deposits of approximately RM7.0 million (30 June 2019: RM5.6 million) have been pledged to banks as security for banking facilities granted to the Group with approximately RM6.8 million (30 June 2019: RM5.6 million) related to performance bond. Pledged bank deposits related to performance bond includes (i) minimum amount of deposits pledged to a bank for a facility line for performance bond; (ii) sinking fund (calculated at 6% of the progress payment from the particular contract related to the corresponding performance bond); and (iii) interest income of deposits pledged to bank.

Investment properties with carrying amount of approximately RM3.3 million as at 30 June 2019 was pledged to a bank as security for bank facilities granted to the Group. The investment properties are discharged upon the settlement and cancellation of bank facilities during the six months ended 31 December 2019.

Trade receivables of approximately RM7.4 million (30 June 2019: nil) was pledged to a bank as security of the bank loan as at 31 December 2019.

Contingent liabilities

As at 31 December 2019, the Group had contingent liabilities in respect of performance bonds for contracts in favour of customers of approximately RM4.3 million (30 June 2019: RM991,000).

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 approximately RM6.8 million; and ii) corporate guarantees given by the Company.

Risk management

Credit risk

The Group's credit risk is primarily attributable to trade and other receivables, contract assets, fixed deposits with maturity over three months, 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 31 December 2019, 45% (30 June 2019: 43%) of the total gross trade receivables and contract assets was due from the Group's largest customer and 84% (30 June 2019: 98%) of the total gross trade receivables and contract assets were due from the Group's five largest customers.

Management Discussion and Analysis

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, fixed deposits with maturity over three months 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 fixed deposits with maturity over three months, pledged bank deposits and lease liabilities. The management of the Group considers that the Group's exposure from these fixed-rate short-term fixed deposits with maturity over three months, pledged bank deposits and lease liabilities 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 by the Group, please refer to the section headed "Risk Factors" in the prospectus of the Company dated 25 April 2019 (the "**Prospectus**").

SIGNIFICANT INVESTMENTS HELD

The Group did not hold any significant investments during the six months ended 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and this interim report, the Group did not have other plans for material investments and capital assets as at 31 December 2019.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the six months ended 31 December 2019.

EVENTS AFTER THE REPORTING PERIOD

On 19 February 2020, the Group entered into a deed of settlement agreement with Bukit Pelali Properties Sdn. Bhd. ("**Bukit Pelali**"), one of the customers and an independent third party to the Group, and Saling Syabas Sdn. Bhd. ("**Saling Syabas**"), one of the shareholders of Bukit Pelali and an independent third party to the Group, pursuant to which trade receivables owing from Bukit Pelali to the Group with total amount of approximately RM22.1 million are deemed to be received by assignment of 40 properties owned by Saling Syabas with value of approximately RM22.1 million (the "**Properties**") ("**Deed of Settlement**"). The Directors are of the view that by entering into the Deed of Settlement, the Group's long outstanding trade receivables could be settled, and at the same time could diversify the Group's assets by acquiring the Properties. The Group ceases to be exposed to the credit risk associated with such outstanding trade receivables from Bukit Pelali. Since the value of the Properties for the purpose of settling the trade receivables was discounted from the market price, the Group's financial position could also be improved should the Properties be realised at the market price in the market.

Save as disclosed above, there were no other important events affecting the Group that have occurred since 31 December 2019 and up to the date of this interim report.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, excluding the Directors, the total number of full-time employees of the Group was approximately 74 (30 June 2019: 76). 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.

The Group is aware of the outbreak of the novel coronavirus pneumonia (COVID-19) epidemic (the "**Epidemic**") in China and confirmed cases in Hong Kong and Malaysia. The Group has deployed appropriate preventive measures to protect the employees and provide them with a healthy and hygienic environment both in office and sites.

Management Discussion and Analysis

PROSPECTS

The actively evolving political development have affected the local economy and has in no small way impact the project schedules and design requirements of our customers as agreed during the initial awarding of the contracts to our Group. This affects the financial results for the six months ended 31 December 2019.

Despite the prevailing challenges, the Group remains positive on the prospects. There is no cancellation of contracts since the commencement of the year ending 30 June 2020. As per Economic Outlook 2020 issued by the Ministry of Finance Malaysia in October 2019, the construction industry is expected to grow on account of acceleration and revival of mega projects as well as building of affording homes. Various measures undertaken by the Malaysia government, including government's focus in enhancing the citizen's welfare with a commitment towards ensuring a balanced development in tandem with the economic growth by prioritising healthcare and affordable housing, improving access to rural basic infrastructure and the connectivity of the nationwide especially the underserved areas, present opportunities for construction work. Besides, Finance Minister of Malaysia mentioned that Malaysia government would announce a fiscal stimulus package to stimulate Malaysia's economy and mitigate any adverse repercussions from the Epidemic and other external uncertainties.

With the solid experiences in doing business in Malaysia, coupled with the Group's strong financial position and the opportunities for construction work, the Board is confident of the future prospects of the marine construction, building and infrastructure business.

In October 2019, the Group has set up a wholly-owned subsidiary in Hong Kong which is engaged in the trading business of sand and construction. On the other hand, the Company has been paying close attention to the Epidemic. The Directors expected that the Epidemic may affect the schedule of contracts and commencement of new and potential contracts related to the developers of the People's Republic of China ("**PRC**"). The Company will continue to monitor the development of the Epidemic and relevant governmental policies to take appropriate actions to minimise the risks arising from the Epidemic in all material aspects.

Going forward, the Group will continue to focus on the existing projects on hand which are mainly situated in Johor Bahru while continuing to procure new business opportunities including projects in public and private sector, inside and outside Johor Bahru. During the six months ended 31 December 2019, the Group has submitted various tenders and quotations for building and infrastructure projects with 3 of them are related to projects in Melaka and Pahang, other states in Malaysia.

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) (Note 1), 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 31 December 2019:

Use of net proceeds as at 31 December 2019	Amount RM million	Amount utilised RM million	Total unutilised balance brought forward as at 31 December 2019 RM million
Acquiring one rebuilt sand carrier from one of the existing subcontractors for marine transportation services	36.2	—	36.2
Purchasing new land-based machineries	4.6	—	4.6
Satisfying performance bonds requirement of prospective projects	14.7	(1.6)(Note 3)	13.1
Upgrading the information technology and project management systems	0.4	—	0.4
Recruiting and expanding management team for the building and infrastructure works	2.1	(0.1)	2.0
Working capital and general corporate purposes	4.6	(4.6)	—
	62.6	(6.3)	56.3

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 31 December 2019, approximately RM56.3 million (representing approximately 89.9%) of the net proceeds from the global offering had not yet been utilised (Note 2). 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.

Notes:

(1) The net proceeds allocated for each specific use have been adjusted proportionally in the manner as stated in the Prospectus due to the difference between the estimated net proceeds and the actual net proceeds received.

(2) Subsequent to the Listing, there was delay in the commencement of new construction contracts secured during the year ended 30 June 2019. The relevant portion of proceeds is expected to be utilised starting from 2020.

(3) Included deposit and prepayment for a life insurance policy of approximately RM0.4 million for satisfying performance bonds requirements based on the terms of the bank guarantee facility line provided by a bank. Please refer to note 11 to the condensed consolidated financial statements for more details.

Corporate Governance and Other Information

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

During the six months ended 31 December 2019 and up to the date of this interim report, the Board is of the 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 Rules Governing the Listing of Securities on the Stock Exchange (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 during the six months ended 31 December 2019 and up to the date of this interim report.

SHARE OPTION SCHEME

Pursuant to the written resolutions passed on 11 April 2019, the Company has conditionally adopted a share option scheme (the "**Share Option Scheme**"), which became unconditional and effect on the Listing Date. No option had been granted, exercised, lapsed nor cancelled under the Share Option Scheme since the adoption of the Share Option Scheme up to the date of this interim report. For details of the Share Option Scheme, please refer to the section headed "Statutory and General Information — E. Share Option Scheme" in Appendix IV to the Prospectus.

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 during the six months ended 31 December 2019.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the date of this interim report, none of the Directors and their respective close associates are considered to be interested in the businesses which compete or are likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules.

Corporate Governance and Other Information

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2019, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong ("**SFO**")) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules were as follows:

Long positions in the Shares of the Company

Name of Director	Capacity/Nature of interests	Total number of Shares/ underlying Shares held	Approximate percentage of issued share capital
Dato' Ng Say Piyu ("**Dato' Ng**")	Interest in a controlled corporation(2)	181,816,500(L)	36.36%
	Interest of spouse(3)	161,233,500(L)	32.25%
Datin Ngooi Leng Swee ("**Datin Ngooi**")	Interest in a controlled corporation(4)	161,233,500(L)	32.25%
	Interest of spouse(5)	181,816,500(L)	36.36%

Notes:

(1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.

(2) Dato' Ng beneficially owns 100% of the share capital of JBB Jade Investment Limited. By virtue of the SFO, Dato' Ng is deemed to be interested in 181,816,500 Shares held by JBB Jade Investment Limited, representing approximately 36.36% of the entire issued share capital of our Company.

(3) Dato' Ng is the spouse of Datin Ngooi. Accordingly, Dato' Ng is deemed, or taken to be, interested in all the Shares in which Datin Ngooi is interested for the purpose of SFO.

(4) Datin Ngooi beneficially owns 100% of the share capital of JBB Berlian Investment Limited. By virtue of the SFO, Datin Ngooi is deemed to be interested in 161,233,500 Shares held by JBB Berlian Investment Limited, representing approximately 32.25% of the entire issued share capital of our Company.

(5) Datin Ngooi is the spouse of Dato' Ng. Accordingly, Datin Ngooi is deemed, or taken to be, interested in all the Shares in which Dato' Ng is interested for the purpose of SFO.

Save as disclosed above, as at 31 December 2019, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) or pursuant to section 352 of the SFO, required to be recorded in the register or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As at 31 December 2019, so far as is known to the Directors, the interests or short positions of the persons (other than a Director or chief executive of the Company) in the Shares or underlying Shares of the Company which are required to be disclosed pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register of interests required to be kept by the Company pursuant to section 336 of the SFO were as follows:

Long positions in the Shares of the Company

Name of Shareholders	Capacity/Nature of interests	Total number of Shares/ underlying Shares held	Approximate percentage of issued share capital
JBB Jade Investment Limited	Beneficial owner	181,816,500(L)	36.36%
JBB Berlian Investment Limited	Beneficial owner	161,233,500(L)	32.25%

Note:

(1) The letter "L" denotes a person's "long position" (as defined under Part XV of the SFO) in such Shares.

(2) The 181,816,500 Shares are held by JBB Jade Investment Limited, which is wholly owned by Dato' Ng, the executive Director of the Company. Dato' Ng is the spouse of Datin Ngooi.

(3) The 161,233,500 Shares are held by JBB Berlian Investment Limited, which is wholly owned by Datin Ngooi, the non-executive Director of the Company. Datin Ngooi is the spouse of Dato' Ng.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the best knowledge of its Directors, as at the date of this interim report, the Company has maintained a sufficient public float of not less than 25% of the Company's issued shares as required under the Listing Rules.

Corporate Governance and Other Information

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 Corporate Governance Code as set out in the CG Code. The primary duties of the audit committee are, amongst other things, to review and supervise the financial reporting processes and internal control systems and risk management of the Group.

The audit committee of the Company had reviewed the accounting principles and policies adopted by the Group and the financial reporting matters including interim results and the unaudited condensed consolidated financial statements of the Group for the six months ended 31 December 2019.

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.

On behalf of the Board

Dato' Ng Say Piyu
Chairman

Hong Kong, 25 February 2020

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 31 December 2019
(Expressed in Malaysian Ringgit)

	Notes	For the six months ended 31 December 2019 RM'000 (unaudited)	2018 RM'000 (unaudited)
Revenue	4	**91,308**	170,652
Direct costs		**(76,737)**	(153,763)
Gross profit		**14,571**	16,889
Other revenue	5	**1,224**	1,270
Other net income	5	**179**	316
(Allowance)/reversal for impairment loss on trade receivables and contract assets	6(c)	**(2,226)**	957
General and administrative expenses		**(8,374)**	(7,982)
Profit from operations		**5,374**	11,450
Share of loss of a joint venture		**(9)**	(80)
Finance costs	6(a)	**(79)**	(108)
Profit before taxation	6	**5,286**	11,262
Income tax expenses	7	**(2,105)**	(3,536)
Profit for the period		**3,181**	7,726
Other comprehensive (loss) for the period			
Items that will not be reclassified to profit or loss:			
Currency translation differences		**(384)**	(195)
Total comprehensive income for the period		**2,797**	7,531
Profit/(loss) for the period attributable to:			
Owners of the Company		**4,225**	7,268
Non-controlling interests		**(1,044)**	458
		3,181	7,726
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**3,841**	7,073
Non-controlling interests		**(1,044)**	458
		2,797	7,531
Earnings per share ***(Sen per share)***	9		
— Basic		**0.85**	1.94
— Diluted		**0.85**	1.94

Condensed Consolidated Statement of Financial Position

As at 31 December 2019
(Expressed in Malaysian Ringgit)

	Notes	31 December 2019 RM'000 (unaudited)	30 June 2019 RM'000 (audited)
Non-current assets			
Property, plant and equipment	10	6,738	9,068
Investment properties	10	3,300	3,300
Interest in a joint venture		326	335
Deposit and prepayment for a life insurance policy	11	401	—
Deferred tax assets		711	318
		11,476	13,021
Current assets			
Trade and other receivables	12	129,173	105,440
Contract assets	13	47,014	102,282
Tax recoverable		2,939	2,528
Fixed deposits with maturity over three months		5,000	—
Pledged bank deposits		6,964	5,593
Cash and cash equivalents		105,646	114,638
		296,736	330,481
Current liabilities			
Trade and other payables	14	162,059	199,628
Contract liabilities	13	781	89
Bank loan	15	5,882	501
Lease liabilities		868	1,191
Provision for taxation		2,111	2,174
		171,701	203,583
Net currents assets		125,035	126,898
Total assets less current liabilities		136,511	139,919
Non-current liabilities			
Lease liabilities		872	1,155
Deferred tax liabilities		39	626
		911	1,781
Net assets		135,600	138,138
Capital and reserves			
Share capital	16	2,672	2,672
Reserves		121,770	123,264
Total equity attributable to owners of the Company		124,442	125,936
Non-controlling interests		11,158	12,202
		135,600	138,138

Note: The Group has initially applied HKFRS 16 at 1 July 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See Note 3(c).

Condensed Consolidated Statement of Changes in Equity

For the six months ended 31 December 2019
(Expressed in Malaysian Ringgit)

	Attributable to owners of the Company							
	Share capital RM'000	Share premium RM'000	Merger reserve RM'000	Exchange reserve RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 July 2018 (audited)	6,500	–	–	–	23,639	30,139	13,047	43,186
Impact on initial application of HKFRS 9	–	–	–	–	(2,709)	(2,709)	(273)	(2,982)
Adjusted balance at 1 July 2018 (audited)	6,500	–	–	–	20,930	27,430	12,774	40,204
Profit for the period	–	–	–	–	7,268	7,268	458	7,726
Other comprehensive loss for the period								
Currency translation differences	–	–	–	(195)	–	(195)	–	(195)
Total comprehensive income/(loss) for the period	–	–	–	(195)	7,268	7,073	458	7,531
Effect of reorganisation	(6,316)	–	6,316	–	–	–	–	–
At 31 December 2018 (unaudited)	184	–	6,316	(195)	28,198	34,503	13,232	47,735
At 1 July 2019 (audited)	2,672	77,334	6,316	(948)	40,562	125,936	12,202	138,138
Profit/(loss) for the period	–	–	–	–	4,225	4,225	(1,044)	3,181
Other comprehensive loss for the period								
Currency translation differences	–	–	–	(384)	–	(384)	–	(384)
Profit and total comprehensive income for the period	–	–	–	(384)	4,225	3,841	(1,044)	2,797
Dividend paid (Note 8)	–	(5,335)	–	–	–	(5,335)	–	(5,335)
At 31 December 2019 (unaudited)	2,672	71,999*	6,316*	(1,332)*	44,787*	124,442	11,158	135,600

* These reserve accounts comprise consolidated reserves of approximately RM121,770,000 in the condensed consolidated statement of financial position at 31 December 2019.

Condensed Consolidated Statement of Cash Flows

For the six months ended 31 December 2019
(Expressed in Malaysian Ringgit)

	For the six months ended 31 December	
	2019	2018
	RM'000	RM'000
	(unaudited)	(unaudited)
Net cash (used in)/generated from operating activities	**(2,221)**	8,218
Investing activities		
Interest received	**1,209**	251
Proceeds from disposal of property, plant and equipment	**57**	–
Placement of deposits with maturity over three months	**(5,000)**	–
(Increase) in pledged bank deposits	**(1,371)**	(48)
Deposit and prepayment for a life insurance policy	**(401)**	–
Payments for purchases of property, plant and equipment	**(17)**	(295)
Payments for purchases of investment properties	**–**	(115)
Repayment from related companies	**–**	72
Net cash (used in) investing activities	**(5,523)**	(135)
Financing activities		
Proceeds from bank borrowings	**5,882**	5
Dividends paid	**(5,335)**	(7,200)
Capital element of leases rentals paid	**(752)**	(672)
(Repayment of) bank borrowings	**(501)**	(102)
Interest element on leases rental paid	**(55)**	(90)
Interest on bank borrowings	**(18)**	(18)
Advance from former immediate holding company	**–**	5,263
(Repayment to) directors	**–**	(1,540)
Net cash (used in) financing activities	**(779)**	(4,354)
Net (decrease)/increase in cash and cash equivalents	**(8,523)**	3,729
Cash and cash equivalents at the beginning of the period	**114,638**	41,644
Effect of foreign exchange rate changes	**(469)**	(99)
Cash and cash equivalents at the end of the period	**105,646**	45,274

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 31 December 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. BASIS OF PREPARATION

The condensed consolidated financial statements for the six months ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "**Group**") and the Group's interest in a joint venture.

The condensed consolidated financial statements have been prepared in accordance with HKAS 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The condensed consolidated financial statements should be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2019.

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 condensed 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 condensed 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.

2. BASIS OF PREPARATION (CONTINUED)

The condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows of the Group for the six months ended 31 December 2018 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 six months ended 31 December 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 31 December 2018).

The functional currency of the Company is Hong Kong dollars ("**HK$**") and the condensed 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.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except that the investment properties are stated at their fair value.

Other than changes in accounting policies resulting from the application of new and amendments to Hong Kong Financial Reporting Standards ("**HKFRSs**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 31 December 2019 are the same as those presented in the preparation of the Group's annual financial statements for the year ended 30 June 2019.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 July 2019 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 16	Leases
HK(IFRIC) — Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements 2015–2017 Cycle	Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases — incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("**short-term leases**") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 July 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balances of right-of-use assets and lease liabilities at 1 July 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

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

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1 July 2019. For contracts entered into before 1 July 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting (Continued)

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iii) Lessor accounting

The Group leases out a number of items of property, plant and equipment as the lessor of operating leases. The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's consolidated financial statements in this regard.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

(i) Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1 July 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1 July 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 8.2%.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 30 June 2020;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the Group relied on the previous assessment for onerous contract provisions as at 30 June 2019 as an alternative to performing an impairment review.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (Continued)

The following table reconciles the operating lease commitments as at 30 June 2019 to the opening balance for lease liabilities recognised as at 1 July 2019:

	RM'000 (unaudited)
Operating lease commitments at 30 June 2019	192
Less: Commitments relating to leases exempt from capitalisation:	
— Short-term leases and other leases with remaining lease term ending on or before 30 June 2020	(123)
Add: Lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	108
	177
Less: Total future interest expenses	(37)
Present value of remaining lease payments, discounted using the incremental borrowing rate at 1 July 2019	140
Add: Finance lease liabilities recognised as at 30 June 2019	2,346
Total lease liabilities recognised at 1 July 2019	2,486
Analysed as:	
Current	1,215
Non-current	1,271
	2,486

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position at 30 June 2019.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16, other than changing the captions for the balances. Accordingly, instead of "obligations under finance leases", these amounts are included within "lease liabilities", and the depreciated carrying amount of the corresponding leased asset is identified as a right-of-use asset. There is no impact on the opening balance of equity.

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(c) Transitional impact (Continued)

The Group presents right-of-use assets that do not meet the definition of investment property in "Property, plant and equipment" and presents lease liabilities separately in the condensed consolidated statement of financial position.

The following table summarises the impacts of adoption of HKFRS 16 on the Group's condensed consolidated statement of financial position:

	Carrying amounts previously reported at 30 June 2019 RM'000 (audited)	Adjustments RM'000 (unaudited)	Carrying amounts at 1 July 2019 RM'000 (unaudited)
Line items in the condensed consolidated statement of financial position as at 30 June 2019 impacted by the adoption of HKFRS 16:			
Non-current assets			
Property, plant and equipment	9,068	140	9,208
Current liabilities			
Lease liabilities — current	1,191	24	1,215
Non-current liabilities			
Lease liabilities — non-current	1,155	116	1,271

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	31 December 2019 RM'000 (unaudited)	1 July 2019 RM'000 (unaudited)
Included in "Property, plant and equipment":		
Motor vehicles	**776**	996
Plant and machinery	**870**	1,553
Properties leased for own use, carried at depreciated cost	**126**	140
	1,772	2,689

3. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	31 December 2019		1 July 2019	
	Present value of the minimum lease payments RM'000 (unaudited)	Total minimum lease payments RM'000 (unaudited)	Present value of the minimum lease payments RM'000 (unaudited)	Total minimum lease payments RM'000 (unaudited)
Within 1 year	868	938	1,215	1,315
After 1 year but within 2 years	350	386	642	691
After 2 years but within 5 years	495	532	592	644
After 5 years	27	27	37	40
	872	945	1,271	1,375
	1,740	1,883	2,486	2,690
Less: total future interest expenses		(143)		(204)
Present value of lease obligations		1,740		2,486

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1 July 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a positive impact on the reported profit from operations in the Group's condensed consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the period.

In the condensed consolidated statement of cash flows, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the condensed consolidated statement of cash flows.

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:

Revenue from contracts with customers within the scope of HKFRS 15

	For the six months ended 31 December	
	2019	2018
	RM'000	RM'000
	(unaudited)	(unaudited)
Construction contracts		
— Reclamation and related works	**9,093**	10,500
— Building and infrastructure	**55,219**	65,947
	64,312	76,447
Marine transportation	**26,996**	94,205
	91,308	170,652

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

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(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.

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

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 six months ended 31 December 2019

	Marine construction				
	Reclamation and related works RM'000 (unaudited)	Marine transportation RM'000 (unaudited)	Building and infrastructure RM'000 (unaudited)	Elimination of inter-segment revenue RM'000 (unaudited)	Total RM'000 (unaudited)
Revenue					
Revenue from external customers	9,093	26,996	55,219	–	91,308
Inter-segment revenue	5,728	–	–	(5,728)	–
Reportable segment revenue	14,821	26,996	55,219	(5,728)	91,308
Reportable segment profit (loss)	(1,664)	4,905	8,762	–	12,003
Unallocated central administrative and corporate expenses:					
— General and administrative expenses					(7,872)
Unallocated other revenue					1,243
Finance costs					(79)
Share of loss of a joint venture					(9)
Profit before taxation					5,286
Other segment information					
Depreciation	2,201	4	–	–	2,205
Allowance for impairment loss on trade receivables and contract assets	30	63	2,133	–	2,226
(Gain) on disposal of property, plant and equipment	–	(46)	–	–	(46)
Write-off of property, plant and equipment	–	12	–	–	12

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

(b) Segment reporting (Continued)

For the six months ended 31 December 2018

	Marine construction				
	Reclamation and related works RM'000 (unaudited)	Marine transportation RM'000 (unaudited)	Building and infrastructure RM'000 (unaudited)	Elimination of inter-segment revenue RM'000 (unaudited)	Total RM'000 (unaudited)
Revenue					
Revenue from external customers	10,500	94,205	65,947	–	170,652
Inter-segment revenue	5,972	17,969	–	(23,941)	–
Reportable segment revenue	16,472	112,174	65,947	(23,941)	170,652
Reportable segment profit	2,847	10,937	4,411	–	18,195
Unallocated central administrative and corporate expenses:					
— General and administrative expenses					(4,144)
— Listing expenses					(2,991)
Unallocated other revenue					390
Finance costs					(108)
Share of loss of a joint venture					(80)
Profit before taxation					11,262
Other segment information					
Depreciation	2,211	20	144	–	2,375
(Reversal)/allowance for impairment loss on trade receivables and contract assets	(702)	(735)	480	–	(957)
Bad debts (recovered)	(946)	–	–	–	(946)

4. REVENUE AND SEGMENT REPORTING (CONTINUED)

Geographical information

The following is an analysis of geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, investment properties, deposits paid for acquisition of investment properties, interest in a joint venture and deposit and prepayment for a life insurance policy. The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of property, plant and equipment, investment properties, deposits paid for acquisition of investment properties and deposit and prepayment for a life insurance policy are based on the physical location of the asset under consideration. In the case of interests in a joint venture, it is the location of operations of such joint venture.

(a) Revenue from external customers

All of the Group's revenue during the six months ended 31 December 2019 and 2018 are generated from Malaysia (place of domicile) based on the location at which the services were provided or the goods delivered. Accordingly, no analysis by geographical basis is presented.

(b) Non-current assets

	31 December 2019 RM'000 (unaudited)	30 June 2019 RM'000 (audited)
Malaysia (Place of domicile)	**10,763**	12,703
Hong Kong	**2**	–
	10,765	12,703

Information about major customers

Revenue from customers contributing individually 10% or more of the Group's revenue is as follows:

	For the six months ended 31 December	
	2019 RM'000 (unaudited)	2018 RM'000 (unaudited)
Customer A[1]	**39,537**	147,853
Customer B[2]	**17,577**	–
Customer C[2]	**13,372**	–
	70,486	147,853

[1] Revenue from the Group's marine construction services — marine transportation and building and infrastructure services.

[2] Revenue from the Group's building and infrastructure services.

5. OTHER REVENUE AND OTHER NET INCOME

	For the six months ended 31 December 2019 RM'000 (unaudited)	2018 RM'000 (unaudited)
Other revenue		
Interest income on financial assets measured at amortised cost	1,209	251
Handling service fee on provision of diesel	15	23
Bad debts recovered	–	946
Others	–	50
	1,224	1,270
Other net income		
Net foreign exchange gain	145	177
Fair value loss on investment properties	–	(581)
Gain on disposal of property, plant and equipment	46	720
Write-off of property, plant and equipment	(12)	–
	179	316

6. PROFIT BEFORE TAXATION

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

(a) Finance costs

	For the six months ended 31 December 2019 RM'000 (unaudited)	2018 RM'000 (unaudited)
Interest on bank loan	18	18
Finance charge on lease liabilities	61	90
Total interest expenses on financial liabilities not at fair value through profit or loss	79	108

6. PROFIT BEFORE TAXATION (CONTINUED)

(b) Staff costs (including Directors' emoluments)

	For the six months ended 31 December	
	2019	2018
	RM'000	RM'000
	(unaudited)	(unaudited)
Directors' emoluments	**1,100**	212
Other staff costs		
Salaries, wages and other benefits	**4,149**	3,841
Contributions to defined contribution retirement plan	**343**	321
	5,592	4,374
Less: Amount included in direct costs	**(1,008)**	(783)
	4,584	3,591

(c) Other items

	For the six months ended 31 December	
	2019	2018
	RM'000	RM'000
	(unaudited)	(unaudited)
Depreciation	**2,465**	2,651
Less: Amount included in direct costs	**(2,084)**	(2,259)
	381	392
Operating lease charges:		
— short-term leases as defined in Note 3 under HKFRS 16	**1,084**	–
— minimum lease payment for lease under HKAS 17	**–**	612
	1,084	612
Less: Amount included in direct costs	**(931)**	(554)
	153	58
Allowance/(reversal) for impairment loss on trade receivables and contract assets	**2,226**	(957)
Bad debts (recovered)	**–**	(946)
Auditors' remuneration	**384**	58
Listing expenses	**–**	2,991
Net foreign exchange (gain)	**(145)**	(177)
Fair value loss on investment properties	**–**	581
(Gain) on disposal of property, plant and equipment	**(46)**	(720)
Write-off of property, plant and equipment	**12**	–

7. INCOME TAX EXPENSE

	For the six months ended 31 December 2019 RM'000 (unaudited)	2018 RM'000 (unaudited)
Current tax		
Charge for the period	3,086	3,252
Underprovision in prior years	–	50
Deferred tax		
Origination and reversal of temporary differences	(981)	234
Income tax expense for the period	2,105	3,536

(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 six months ended 31 December 2019 and 2018.

(iii) Corporate income tax in Malaysia is calculated at the statutory rate of 24% of the estimated taxable profit for the six months ended 31 December 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% 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 six months ended 31 December 2018.

8. DIVIDENDS

During the six months ended 31 December 2019, a final dividend of HK$0.02 (six months ended 31 December 2018: nil) per Share amounting to HK$10,000,000 (2018: nil) in respect of the year ended 30 June 2019 was declared and paid to the owners of the Company.

The Board does not recommend the payment of interim dividend for the six months ended 31 December 2019 (six months ended 31 December 2018: nil).

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 RM4,225,000 (six months ended 31 December 2018: RM7,268,000) and the weighted average of 500,000,000 Shares (six months ended 31 December 2018: 375,000,000 Shares) in issue during the period. The weighted average number of Shares in issue during the six months ended 31 December 2018 is calculated based on the assumption that 375,000,000 Shares were in issue throughout the entire period, taking into consideration of the effect of Reorganisation, loan capitalisation and the capitalisation issue (as defined and disclosed in the Prospectus).

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 six months ended 31 December 2019 and 2018.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Property, plant and equipment

During the six months ended 31 December 2019, the Group paid approximately RM17,000 (unaudited) (six months ended 31 December 2018: RM425,000) for the acquisition of property, plant and equipment.

During the six months ended 31 December 2019, the Group disposed of certain property, plant and equipment with an aggregate carrying amount of approximately RM11,000 (unaudited) for cash proceeds of approximately RM57,000 (unaudited), resulting in a gain on disposal of approximately RM46,000 (unaudited).

During the six months ended 31 December 2018, the Group disposed of certain motor vehicles to the directors of the Company with an aggregate carrying amount of approximately RM850,000 (unaudited) at a total consideration of RM1,570,000 (unaudited) which was settled through current account with directors, resulting in a gain on disposal of approximately RM720,000 (unaudited).

During the six months ended 31 December 2019, the Group has written off property, plant and equipment with carrying amount of approximately RM12,000 (unaudited) (six months ended 31 December 2018: nil).

Investment properties

The Group's investment properties as at 31 December 2019 were carried out by an independent firm, KGV International Property Consultant (Johor) Sdn. Bhd., who have among their valuers registered with The Board of Valuers, Appraisers and Estate Agents, Malaysia, with recent experience in the location and category of property being valued. The fair value of investment properties located in Malaysia is determined using market comparison approach by reference to recent sales price of comparable properties on a price per square foot basis using market data which is publicly available. All of the fair value measurements of the Group's investment properties were categorised as level 2 of the fair value hierarchy. There were no transfers into or out of level 2 during the period. There is no fair value change of investment properties recognised directly in profit or loss for the six months ended 31 December 2019 (six months ended 31 December 2018: fair value loss of approximately RM581,000).

Right-of-use assets

During the current interim period, the Group applied the recognition exemption and practical expedients at the date of initial application of HKFRS 16 (i.e. 1 July 2019) (Note 3(c)). Other than that, the Group did not enter into other new lease agreements for the use of assets for more than 1 year.

11. DEPOSIT AND PREPAYMENT FOR A LIFE INSURANCE POLICY

During the six months ended 31 December 2019, a life insurance policy (the "**Policy**") was contracted to insure an executive director of the Company. Under the Policy, the beneficiary is a bank (the "**Bank**") and the total insured sum is approximately RM1.6 million. At inception of the Policy, the Group paid an upfront payment of approximately RM0.4 million. For any insured events happened to that executive director, the insured sum will first be used to settle the outstanding bank loan maintaining with the Bank by the Group and thereafter any excess portion will be payable to the Group. The Policy can be withdrawn at any time with surrender charges if such withdrawal occurs before the 10th anniversary from date of inception and cash refund will be based on the cash surrender value of the Policy at the date of withdrawal.

As at 31 December 2019, the directors of the Company expect that the Policy will be terminated at the 10th anniversary from date of inception and there will be no specific surrender charges in accordance with the Policy. The directors of the Company consider that the expected life of the Policy will remain unchanged from the initial recognition.

12. TRADE AND OTHER RECEIVABLES

	31 December 2019 RM'000 (unaudited)	30 June 2019 RM'000 (audited)
Trade receivables	**121,888**	92,771
Less: allowance for doubtful debts	**(3,599)**	(1,323)
	118,289	91,448
Deposits, prepayments and other receivable	**10,884**	13,992
	129,173	105,440

12. TRADE AND OTHER RECEIVABLES (CONTINUED)

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:

	31 December 2019 RM'000 (unaudited)	30 June 2019 RM'000 (audited)
Within 30 days	13,353	23,447
31 to 60 days	12,886	22,239
61 to 90 days	21,343	4,378
Over 90 days	70,707	41,384
	118,289	91,448

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

13. CONSTRUCTION CONTRACTS

(a) Contract assets

The Group's contract assets are analysed as follows:

	31 December 2019 RM'000 (unaudited)	30 June 2019 RM'000 (audited)
Contract assets		
Arising from performance under construction contracts	16,227	46,753
Retention receivables	30,787	55,529
	47,014	102,282
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables" (Note 12)	118,289	91,448

As at 31 December 2019, the amounts of approximately RM8,006,000 (unaudited) (30 June 2019: RM8,401,000) included in the contract assets are expected to be recovered after more than one year, all of which relates to retention receivables.

13. CONSTRUCTION CONTRACTS (CONTINUED)

(b) Contract liabilities

	31 December 2019 RM'000 (unaudited)	30 June 2019 RM'000 (audited)
Contract liabilities		
Construction contracts		
— Billings in advance of performance	781	89

14. TRADE AND OTHER PAYABLES

	31 December 2019 RM'000 (unaudited)	30 June 2019 RM'000 (audited)
Trade payables	141,600	178,544
Other payables and accruals	923	3,111
Retention payables	19,536	17,973
	162,059	199,628

Note: Except for the amounts of approximately RM5,726,000 (unaudited) (30 June 2019: RM7,994,000) included in the retention payables as at 31 December 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:

	31 December 2019 RM'000 (unaudited)	30 June 2019 RM'000 (audited)
Within 30 days	21,253	59,892
31 to 90 days	17,627	11,766
Over 90 days	102,720	106,886
	141,600	178,544

15. BANK LOAN

	31 December 2019 RM'000 (unaudited)	30 June 2019 RM'000 (audited)
Bank loan, secured, repayable within 1 year or on demand	5,882	501

The Group had utilised bank facilities of approximately RM5,882,000 (unaudited) as at 31 December 2019 (30 June 2019: RM1,880,000). The Group's banking facilities were secured and guaranteed by:

(i) a legal charge over the investment properties in favour of the bank as at 30 June 2019 (31 December 2019: nil);

(ii) unlimited joint and several personal guarantee and personal guarantee to the extent of RM43,380,000 were given by directors of the Group (Note 17) as at 30 June 2019 (31 December 2019: nil);

(iii) deposits with licensed banks of the Group with carrying amounts of approximately RM6,964,000 (unaudited) (30 June 2019: RM5,593,000) as at 31 December 2019; and

(iv) pledge of trade receivables of approximately RM7,360,000 (unaudited) (30 June 2019: nil) as at 31 December 2019.

16. SHARE CAPITAL

Authorised Shares of HK$0.01 each:

	No. of shares	Amount RM'000
At 30 June 2019 (audited) and 31 December 2019 (unaudited)	2,000,000,000	10,535

Issued and fully paid Shares of HK$0.01 each:

	No. of shares	Amount RM'000
At 30 June 2019 (audited) and 31 December 2019 (unaudited)	500,000,000	2,672

17. RELATED PARTY TRANSACTIONS

In addition to the related party information disclosed elsewhere in the condensed consolidated financial statements, the Group entered into the following material related party transactions.

The directors of the Company are of the view that following parties/companies were related parties that had transactions or balances with the Group during the period:

Name of party	Relationship with the Group
Dato' Ng Say Piyu	One of the Controlling Shareholders and directors of the Company
Datin Ngooi Leng Swee	Spouse of Dato' Ng Say Piyu and one of the Controlling Shareholders of the Company and non-executive director of the company
Mr. Lam Fung Eng	Director of the Company
Mr. Ng Chong Boon	Director of the Company
JBB Kimlun Sdn. Bhd.	A joint venture
Primary Bay Sdn. Bhd.	A company controlled by the Controlling Shareholders
Tropical City (M) Sdn. Bhd.	A company controlled by the Controlling Shareholders

(a) Key management personnel remuneration

The remuneration of key management personnel (including the executive directors of the Company) of the Group during the period is as follows:

	For the six months ended 31 December	
	2019	2018
	RM'000	RM'000
	(unaudited)	(unaudited)
Short-term employee benefits	**1,381**	605
Post-employment benefits	**113**	43
	1,494	648

17. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

During the period, the Group entered into the following related party transactions:

Non-continuing transactions

	For the six months ended 31 December	
	2019	2018
	RM'000	RM'000
	(unaudited)	(unaudited)
Marine construction:		
Reclamation and related works — Tropical City (M) Sdn. Bhd.	**–**	533
Management fee expenses JBB Kimlun Sdn. Bhd.	**34**	17

The directors of the Company consider that the above related party transactions during the period were conducted on mutually-agreed terms in the ordinary course of the Group's business.

During the six months ended 31 December 2018, the Group disposed of certain of motor vehicles to Dato' Ng Say Piyu, Mr. Lam Fung Eng and Mr. Ng Chong Boon at a consideration of RM1,350,000, RM105,000 and RM115,000 (unaudited) respectively, contributed to net gain on disposal of property, plant and equipment RM720,000 (unaudited).

(c) Financing arrangements with related parties

(a) The directors of the Group have provided unlimited joint and several personal guarantee and personal guarantee to the extent of RM43,380,000 to banks for the banking facilities granted to the Group as at 30 June 2019 (Note 15).

(b) At 30 June 2019, the Group had financial guarantees provided to related company, details of which are set out in the Note 18. The financial guarantees provided to related parties were released in July 2019.

18. FINANCIAL GUARANTEE

At the end of reporting period, the Group had the following financial guarantee:

	Note	**31 December 2019 RM'000 (unaudited)**	30 June 2019 RM'000 (audited)
Guarantee given to banks in connection with facilities granted to:			
— A related company Primary Bay Sdn. Bhd.	(a)	–	3,945
		–	3,945

	Note	**31 December 2019 RM'000 (unaudited)**	30 June 2019 RM'000 (audited)
Utilised to the extent of the following amounts by:			
— A related company Primary Bay Sdn. Bhd.	(a)	–	3,945
		–	3,945

Note:

(a) Such guarantee was released in July 2019.

The maximum liability of the Group under the guarantee issued represents the amount drawn down by the related company. No deferred income in respect of this guarantee issued has been recognised as the directors of the Company consider that the fair value of the guarantee at the inception is not significant. Accordingly, the fair value of this guarantee was not recognised for in the condensed consolidated financial statements.

19. CONTINGENT LIABILITIES

(i) Performance bonds

	31 December 2019 RM'000 (unaudited)	30 June 2019 RM'000 (audited)
Performance bonds for contracts in favour of customers	**4,335**	991

The above 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.

Except for the above mentioned, the Group did not have any significant contingent liabilities as at the end of each reporting period.

20. CAPITAL COMMITMENTS

At the end of each reporting period, capital expenditures contracted for at the end of each reporting period but not provided for are as follows:

	31 December 2019 RM'000 (unaudited)	30 June 2019 RM'000 (audited)
Equipment	**370**	–

21. SHARE OPTION SCHEME

A share option scheme (the "**Scheme**") was adopted by the Company on 11 April 2019 for the primary purpose of providing incentives or rewards to eligible participants which will expire on 10 April 2029. Under the Scheme, the board of directors of the Company may grant options to the eligible participants, including employees, directors, advisors, consultants, service providers, agents, customers, suppliers, partners or joint-venture partners of the Group, to subscribe for shares in the Company.

For more details, please refer to note 35 to the consolidated financial statements of 2019 annual report.

No share options are granted since the adoption of the Scheme and there are no outstanding share options under the Scheme as at 31 December 2019.

22. SUBSEQUENT EVENTS

On 19 February 2020, the Group entered into a deed of settlement agreement with Bukit Pelali Properties Sdn. Bhd. ("**Bukit Pelali**"), one of the customers and an independent third party to the Group, and Saling Syabas Sdn. Bhd. ("**Saling Syabas**"), one of the shareholders of Bukit Pelali and an independent third party to the Group, pursuant to which trade receivables owing from Bukit Pelali to the Group with total amount of approximately RM22,095,000 are deemed to be received by assignment of 40 properties owned by Saling Syabas with value of approximately RM22,095,000. Accordingly, trade receivables of approximately RM22,095,000 were derecognised and deposits paid for acquisition of investment properties were recognised as non-current assets until the title of the properties were transferred.