



TCS GROUP HOLDINGS BERHAD

(Registration No. 201901004613 (1313940-W))
(Incorporated in Malaysia)

**Interim Financial Report
For Second Quarter Ended
30 June 2020**



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME⁽¹⁾

	NOTE	QUARTER ENDED		YEAR-TO-DATE ENDED	
		30.06.2020	30.06.2019	30.06.2020	30.06.2019
		Unaudited	Unaudited ⁽²⁾	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Revenue	A9	46,784	N/A	109,478	N/A
Cost of sales		(38,796)	N/A	(90,456)	N/A
Gross profit		7,988	N/A	19,022	N/A
Other income		24	N/A	63	N/A
Administrative expenses		(5,898)	N/A	(10,112)	N/A
Profit from operations	B11	2,114	N/A	8,973	N/A
Finance income		157	N/A	217	N/A
Finance costs		(236)	N/A	(489)	N/A
Profit before tax		2,035	N/A	8,701	N/A
Tax expense	B5	(1,029)	N/A	(2,629)	N/A
Profit/Total comprehensive income for the financial period		1,006	N/A	6,072	N/A
Profit/Total comprehensive income for the financial period after taxation attributable to:					
Owner of the Company		1,006	N/A	6,072	N/A
		1,006	N/A	6,072	N/A



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME⁽¹⁾ (CONT'D)

	NOTE	QUARTER ENDED		YEAR-TO-DATE ENDED	
		30.06.2020	30.06.2019	30.06.2020	30.06.2019
		Unaudited	Unaudited ⁽²⁾	Unaudited	Unaudited
		RM'000	RM'000	RM'000	RM'000
Earnings Per Share					
Basic/Diluted (sen) ⁽³⁾	B10	0.37 ⁽⁴⁾	N/A	2.25 ⁽⁴⁾	N/A

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the prospectus of the Company dated 29 June 2020 ("**Prospectus**") and the accompanying explanatory notes attached to this interim financial report.
 - (2) The interim financial report announced in compliance with the ACE Market Listing Requirements ("**Listing Requirements**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). There are no comparative figures for the preceding corresponding quarter and period as no interim financial report was prepared for the comparative financial period concerned.
 - (3) The diluted earnings per share of the Group for the quarter and financial year-to-date are equivalent to the basic earnings per share as the Group does not have any convertible securities as at the end of the reporting period.
 - (4) Computation on basic earnings per share is based on the Group's weighted average number of ordinary shares during the period under review.
- N/A Not applicable.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION⁽¹⁾

	30.06.2020	31.12.2019
	Unaudited	Audited
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	26,646	24,157
Investment property	2,141	2,240
Deferred tax assets	211	211
	<u>28,998</u>	<u>26,608</u>
Current assets		
Trade receivables	58,443	83,489
Other receivables	3,761	6,461
Contract assets	22,725	16,660
Fixed deposits with licensed banks	12,415	12,938
Cash and bank balances	26,979	15,214
	<u>124,323</u>	<u>134,762</u>
TOTAL ASSETS	<u>153,321</u>	<u>161,370</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	26,244	26,244
Merger deficit	(24,065)	(24,065)
Retained earnings	45,779	39,707
Total equity	<u>47,958</u>	<u>41,886</u>
Non-current liabilities		
Lease liabilities	6,189	5,101
Borrowings	9,581	9,367
Deferred tax liabilities	248	248
	<u>16,018</u>	<u>14,716</u>
Current liabilities		
Trade payables	36,574	37,477
Other payables	14,058	16,196
Contract liabilities	28,774	43,683
Amount due to a Director	-	2
Lease liabilities	5,344	3,821
Borrowings	287	281
Tax payable	4,308	3,308
	<u>89,345</u>	<u>104,768</u>
Total liabilities	<u>105,363</u>	<u>119,484</u>
TOTAL EQUITY AND LIABILITIES	<u>153,321</u>	<u>161,370</u>
Number of issued shares ('000)	270,000	270,000
Net asset per share attributable to owner of the Company (RM)	<u>0.18</u>	<u>0.16</u>

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Financial Position are disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.



UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY⁽¹⁾⁽²⁾

	<-----Non-Distributable----->		Distributable	
	Share Capital	Merger Deficit	Retained Earnings	Total Equity
	RM'000	RM'000	RM'000	RM'000
Balance as at 31.12.2019 (Audited)	26,244	(24,065)	39,707	41,886
Total comprehensive income for the financial period (Unaudited)	-	-	6,072	6,072
Balance as at 30.06.2020 (Unaudited)	<u>26,244</u>	<u>(24,065)</u>	<u>45,779</u>	<u>47,958</u>

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Changes in Equity is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.
- (2) There are no comparative figures for the preceding corresponding period as no interim financial report was prepared for the comparative financial period concerned.



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS⁽¹⁾

	CURRENT YEAR TO-DATE <u>30.06.2020</u> Unaudited <u>RM'000</u>	PRECEDING YEAR TO-DATE <u>30.06.2019</u> Unaudited ⁽²⁾ <u>RM'000</u>
OPERATING ACTIVITIES		
Profit before tax	8,701	N/A
Adjustments for:-		
Depreciation of property, plant and equipment	2,983	N/A
Amortisation of investment property	99	N/A
Reversal of impairment on other receivables	(3)	N/A
Interest expense	489	N/A
Interest income	(217)	N/A
Operating profit before working capital changes	<u>12,052</u>	N/A
Changes in working capital:-		
Receivables	27,749	N/A
Contract assets/liabilities	(20,974)	N/A
Payables	<u>(3,041)</u>	N/A
Cash generated from operations	15,786	N/A
Interest received	217	N/A
Interest paid	(489)	N/A
Tax paid	(1,629)	N/A
Net cash from operating activities	<u>13,885</u>	<u>N/A</u>
INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(644)	N/A
Placement of fixed deposits pledged	(247)	N/A
Withdrawal of fixed deposit pledged	1,528	N/A
Net cash generated from investing activities	<u>637</u>	<u>N/A</u>



UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)⁽¹⁾

	CURRENT YEAR	PRECEDING YEAR
	TO-DATE	TO-DATE
	30.06.2020	30.06.2019
	RM'000	RM'000
	(Unaudited)	(Unaudited)⁽²⁾
FINANCING ACTIVITIES		
Repayment of lease liabilities	(2,217)	N/A
Drawdown of term loans	359	N/A
Repayment of term loans	(139)	N/A
Repayment to a Director	(2)	N/A
Net cash used in financing activities	(1,999)	N/A
CASH AND CASH EQUIVALENTS		
Net changes	12,523	N/A
Brought forward	15,020	N/A
Carried forward	27,543	N/A
CASH AND CASH EQUIVALENTS		
Fixed deposits with licensed banks	12,415	N/A
Cash and bank balances	26,979	N/A
	39,394	N/A
Less: Fixed deposits pledged	(11,128)	N/A
Less: Sinking fund pledged	(723)	N/A
	27,543	N/A

Notes:

(1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows is disclosed in Note A1 and should be read in conjunction with the Accountant's Report as disclosed in the Prospectus and the accompanying explanatory notes attached to the interim financial report.

(2) There are no comparative figures for the preceding corresponding period as no interim financial report was prepared for the comparative financial period concerned.

N/A Not applicable.



A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report of TCS Group Holdings Berhad (“TCS” or “Company”) and its subsidiaries (“Group”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) No. 134: Interim Financial Reporting and Rule 9.22 and Appendix 9B of the Listing Requirements of Bursa Securities.

This is the second interim financial report on the Company’s unaudited condensed consolidated financial results for the second quarter ended 30 June 2020 announced by the Company in compliance with the Listing Requirements of Bursa Securities and as such, there are no comparative figures for the preceding corresponding period.

This interim financial report should be read in conjunction with the Accountants’ Report as disclosed in the Prospectus and the accompanying notes attached to this interim financial report.

A2. Significant Accounting Policies

The significant accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in preparation of the Accountants’ Report as disclosed in the Prospectus.

A3. Auditors’ Report on Preceding Annual Financial Statements

There was no qualification on the audited financial statements of the Group for the financial year ended 31 December 2019.

A4. Seasonal or Cyclical Factors

The Group's performance have not been materially affected by any seasonal or cyclical factors during the current quarter and financial year-to-date.

A5. Items or Incidence of an Unusual Nature

Save as disclosed in Notes A11 and B9, there were no unusual items affecting the assets, liabilities, equity, net income and cash flows during the current quarter and financial year-to-date.

A6. Changes in Estimates

There were no material changes in estimates for the current quarter and financial year-to-date.

A7. Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellation, share held as treasury shares and resale of treasury shares during the current quarter and financial year-to-date.

A8. Dividend Paid

There was no dividend paid for the current quarter and financial year-to-date.



A. NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A9. Segmental Reporting

The Group is principally involved in the provision of construction services for buildings, infrastructure, civil and structural works in Malaysia. The Group's segmental revenue for the current quarter and financial year-to-date is as follows:

Financial year-to-date ended 30.06.2020	Residential	Commercial	Elimination	Total
Unaudited	RM'000	RM'000	RM'000	RM'000
Revenue: -				
External revenue	107,282	2,196	-	109,478
	<u>107,282</u>	<u>2,196</u>	<u>-</u>	<u>109,478</u>
Segment results⁽¹⁾				
Depreciation of property, plant and equipment				(2,983)
Interest income				217
Interest expenses				(489)
Unallocated income				63
Unallocated expenses				(97,585)
Tax expense				(2,629)
Segment profit				<u>6,072</u>

There are no comparative figures for the preceding corresponding period as no interim financial report was prepared for the comparative financial period concerned.

Note:

(1) The breakdown of segment results between residential and commercial is not available.

A10. Valuation of Property, Plant and Equipment

There was no valuation of the property, plant and equipment during the current quarter and year-to-date.

A11. Material Events Subsequent to the End of the Current Quarter

Save as disclosed in Note B9 and Section 4.1.9, 6.1, 12.3.2(e), 12.3.5, 14(34) and 15.6 of the Prospectus, there are no material event during the current quarter and financial year-to-date.

A12. Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter and financial year-to-date.



A NOTES TO THE INTERIM FINANCIAL REPORT (CONT'D)

A13. Contingent Liabilities

Save as disclosed below, there were no other contingent liabilities as at the date of this interim financial report.

	<u>30.06.2020</u>	<u>31.12.2019</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>RM'000</u>	<u>RM'000</u>
Performance bonds guarantee for construction projects	25,455	30,585
Corporate guarantee given to financial institution for credit facilities granted to companies in which Directors have interests	14,356	14,713

A14. Capital Commitments

Save as disclosed below, there were no other material capital commitments incurred or known to be incurred.

	<u>30.06.2020</u>	<u>31.12.2019</u>
	<u>Unaudited</u>	<u>Audited</u>
	<u>RM'000</u>	<u>RM'000</u>
Authorised and contracted for:		
Purchase of properties	359	718

A15. Related Party Transactions

	<u>QUARTER ENDED</u>		<u>YEAR-TO-DATE ENDED</u>	
	<u>30.06.2020</u>	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2019</u>
	<u>Unaudited</u>	<u>Unaudited ⁽¹⁾</u>	<u>Unaudited</u>	<u>Unaudited</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Rental expenses paid to the companies in which Directors have interests	71	N/A	141	N/A
Salary reimbursement paid to a company in which Directors have interests	11	N/A	22	N/A

Notes:

(1) There are no comparative figures for the preceding corresponding quarter and period available as no interim financial report was prepared for the comparative financial period concerned.

N/A Not Applicable.



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of Group Performance

The Group recorded a revenue of RM46.78 million and profit before tax of RM2.04 million in the current quarter ended 30 June 2020. The revenue recognised is primarily contributed by the on-going projects from the Hermington Project, Tropicana Urban Homes Project and Suria Pantai Project.

For the current financial year-to-date ended 30 June 2020, the Group reported a revenue of RM109.48 million and profit before tax of RM8.70 million. The Group's revenue is mainly attributed to its residential segment which accounted for RM107.28 million or 98.00% of the total revenue.

The Group has also incurred listing expenses of RM2.25 million in the current quarter and financial year-to-date ended 30 June 2020.

There are no comparative figures for the preceding corresponding period as no interim financial report was prepared for the comparative financial period concerned being announced by the Group in compliance with the Listing Requirements.

B2. Comparison with the Immediate Preceding Quarter Result

For the current quarter, the Group has registered a lower revenue of RM46.78 million as compared to RM62.69 million in the preceding quarter. The Group's profit before tax has decreased from RM6.66 million to RM2.04 million in the current quarter.

The Group recorded a lower revenue and profit before tax during the current quarter mainly due to implementation of the Movement Control Order ("MCO") and the Conditional Movement Control Order ("CMCO"), as a result of the coronavirus disease 2019 ("COVID-19") pandemic. The period of MCO took effect from 18 March 2020, followed by CMCO from 4 May 2020 to 9 June 2020, which covers substantially the current quarter. The lower profit before tax was also attributed to the listing expenses of RM2.25 million in the current quarter.

B3. Commentary on Prospects

As disclosed in Section 6.4.1, 6.4.2 and 6.4.3 of the Prospectus, the Group has the following future plans:

- (i) to further grow the Group's building construction activities;
- (ii) to expand the Group's infrastructure construction services; and
- (iii) to purchase machinery and equipment to support the Group's expansion plans.

The Group believes that its prospects in the building construction industry are favourable in view of the following factors, details of which are disclosed in Section 6.4.4 of the Prospectus:

- (i) prospects of the construction industry;
- (ii) the Group's current on-going projects;
- (iii) competitive strengths of the Group;
- (iv) purchase of new machinery and equipment; and
- (v) continuous efforts in expanding the Group's services and capabilities.



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B3. Commentary on Prospects (cont'd)

Please refer to Section 6.1 of the Prospectus for details of the impact of COVID-19 pandemic on the Group, its supply chain and its project.

Premised on the above and barring unforeseen circumstances, the Board of Directors expects the Group's financial performance for the current financial year to be satisfactory.

B4. Profit Forecast or Profit Guarantee

The Group did not issue any profit forecast or profit guarantee during the current quarter and financial year-to-date.

B5. Tax Expense

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	Unaudited	Unaudited ⁽¹⁾	Unaudited	Unaudited ⁽¹⁾
	RM'000	RM'000	RM'000	RM'000
In respect of current period:				
Income tax	1,029	N/A	2,629	N/A
Effective tax rate (%) ⁽²⁾	50.56	N/A	30.21	N/A
Statutory tax rate (%)	24.00	N/A	24.00	N/A

Note:

- (1) There are no comparative figures for the preceding corresponding quarter and period as no interim financial report was prepared for the comparative financial period concerned.
- (2) The effective tax rate for the current and financial year-to-date ended 30 June 2020 is higher than the statutory tax rate of 24% mainly due to adjustment for non-deductible expenses.
- N/A Not applicable.

B6. Status of Corporate Proposals

In conjunction with the Company's listing on the ACE Market of Bursa Securities, the Company is undertaking an Initial Public Offering ("IPO") of 108,000,000 ordinary shares ("Shares") at an IPO price of RM0.23 per Share comprising:

- (i) public issue of 90,000,000 new Shares ("**Issue Shares**") ("**Public Issue**") in the following manner:
- 10,800,000 Issue Shares to the Malaysian public;
 - 7,200,000 Issue Shares to the eligible directors and employees of the Group, and persons who have contributed to the success of the Group;
 - 32,400,000 Issue Shares to institutional and selected investors by way of private placement; and
 - 39,600,000 Issue Shares to identified Bumiputera investors approved by the Ministry of International Trade and Industry by way of private placement; and
- (ii) offer for sale of 18,000,000 existing Shares to institutional and selected investors by way of private placement.



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B6. Status of Corporate Proposals (cont'd)

The Company has completed the IPO and listing exercise on 23 July 2020.

There are no other corporate proposals announced by the Company but not completed as at the date of this interim financial report.

B7. Utilisation of Proceeds Raised from Public Issue

The gross proceeds of approximately RM20.70 million from the Public Issue is intended to be utilised in the following manner:

Utilisation of proceeds	Proposed Utilisation RM'000	Actual Utilisation RM'000	Estimated timeframe for utilisation from the date of listing
Purchase of new construction machinery and equipment	13,000	-	Within 36 months
Working capital for construction projects	4,200	-	Within 24 months
Estimated listing expenses	3,500	2,252	Within 3 months
Total	20,700	2,252	

The utilisation of proceeds as disclosed above should be read together with the Prospectus.

B8. Borrowings

The details of the Group's borrowings are as follows: -

	30.06.2020 Unaudited RM'000	31.12.2019 Audited RM'000
Non-current:		
Term loans	9,581	9,367
Lease liabilities	6,189	5,101
	15,770	14,468
Current:		
Term loans	287	281
Lease liabilities	5,344	3,821
	5,631	4,102
Total	21,401	18,570

All the borrowings are secured and denominated in Ringgit Malaysia.

B9. Material Litigation

Save as disclosed in Section 15.6 of the Prospectus, there are no other material litigation pending as at the date of this interim financial report.

As at the date of this interim financial report, TCS Construction Sdn Bhd and MPM Project Management Sdn Bhd are in the midst of negotiating to reach an amicable settlement for the dispute.



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B10. Dividend

The Board of Directors have declared a first interim single-tier dividend of 1 sen per ordinary share in respect of the financial year ending 31 December 2020, to be paid on 29th September 2020. The entitlement date for the dividend payment is 15th September 2020.

B11. Basic and Diluted Earnings Per Share

The basic/diluted earnings per share ("EPS") for the current quarter and financial year-to-date are computed as follows:

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	Unaudited	Unaudited ⁽¹⁾	Unaudited	Unaudited ⁽¹⁾
Profit attributable to owner of the Company (RM'000)	1,006	N/A	6,072	N/A
Weighted average number of shares ('000)	270,000	N/A	270,000	N/A
Basic/Diluted EPS (sen) ⁽²⁾	0.37 ⁽³⁾	N/A	2.25 ⁽³⁾	N/A

Note:

- (1) There are no comparative figures for the preceding corresponding quarter and period as no interim financial report was prepared for the comparative financial period concerned.
- (2) The diluted earnings per share of the Group for the quarter and financial year-to-date are equivalent to the basic earnings per share as the Group does not have any convertible securities as at the end of the reporting period.
- (3) Computation on basic earnings per share is based on the Group's weighted average number of ordinary shares during the period under review.

N/A Not applicable.

B12. Notes to the Condensed Consolidated Statement of Profit and Other Comprehensive Income

	QUARTER ENDED		YEAR-TO-DATE ENDED	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	Unaudited	Unaudited ⁽¹⁾	Unaudited	Unaudited
	RM'000	RM'000	RM'000	RM'000
Interest income	(157)	N/A	(217)	N/A
Interest expense	236	N/A	489	N/A
Reversal of impairment on other receivables	-	N/A	(3)	N/A
Amortisation of investment property	11	N/A	99	N/A
Depreciation of property, plant and equipment	1,616	N/A	2,983	N/A



B. ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS (CONT'D)

B12. Notes to the Condensed Consolidated Statement of Profit and Other Comprehensive Income (cont'd)

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income is disclosed in Note A1 and should be read in conjunction with the Accountants' Report as disclosed in the Prospectus and the accompanying explanatory notes attached to this interim financial report.

N/A Not Applicable

Save as disclosed above, the other disclosure items as required under paragraph 16 of Appendix 9B of the Listing Requirements are not applicable.

B13. Derivative Financial Instruments

The Group has not entered into any derivatives as at the date of this interim financial report.

B14. Authorisation for Issue

The interim financial report was authorised for issue by the Board of Directors of the Company in accordance with a resolution passed by the Board of Directors on 27 August 2020.

By order of the Board of Directors

Tan Tong Lang (MAICSA 7045482/ SSM PC No. 201908002253)
Thien Lee Mee (LS 0009760/ SSM PC No. 201908002254)
27 August 2020
Company Secretaries