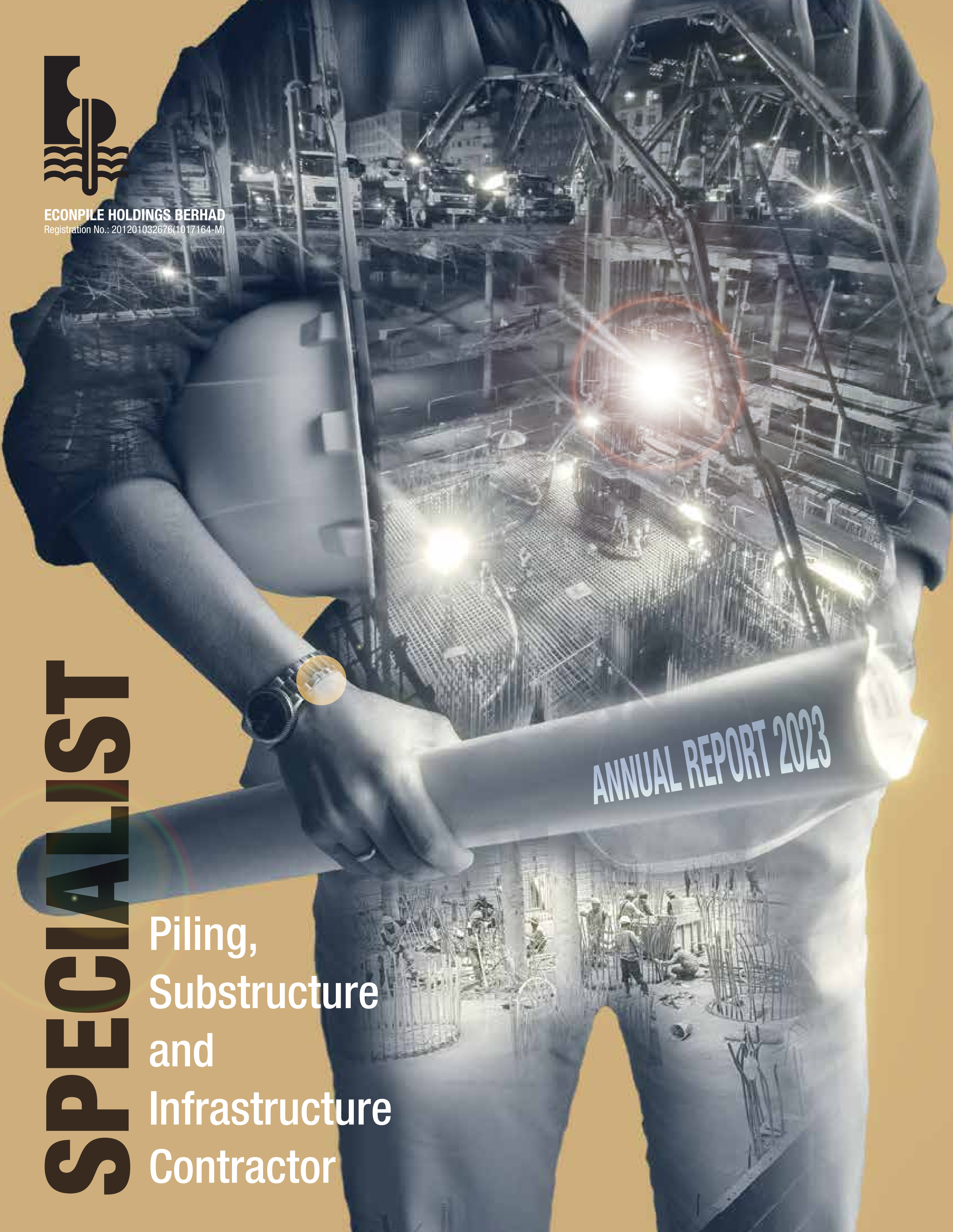
**ECONPILE HOLDINGS BERHAD**
Registration No.: 201201032676(1017164-M)



# ANNUAL REPORT 2023

# SPECIALIST

## Piling, Substructure and Infrastructure Contractor

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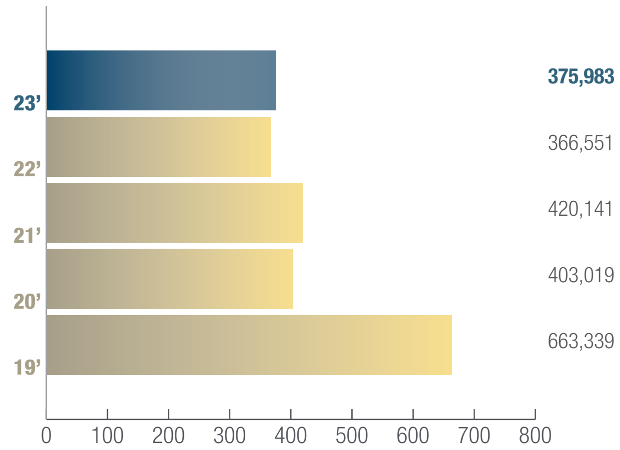
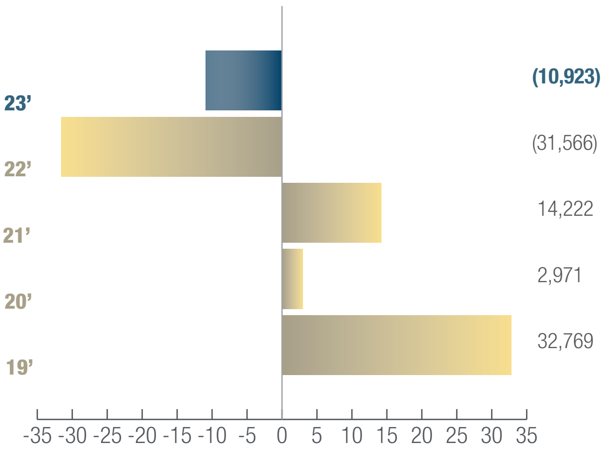
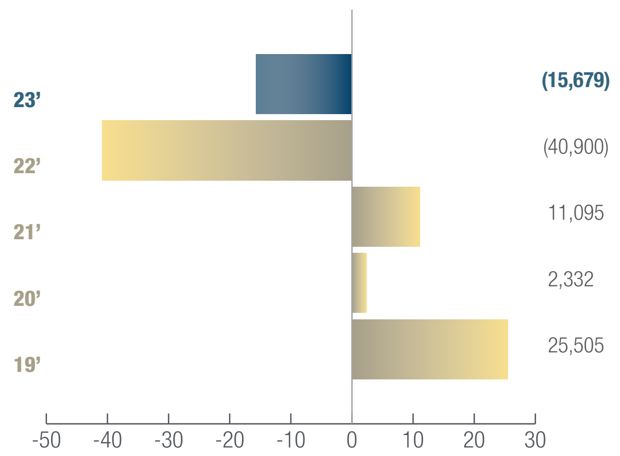
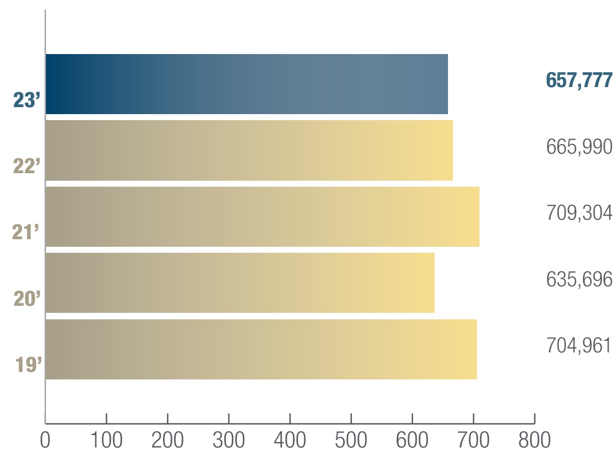
# Financial Highlights




| FINANCIAL YEAR ENDED 30 JUNE | 2023 | 2022 | 2021 | 2020 | 2019 |
|---|---|---|---|---|---|
| **Revenue** (RM'000) | **375,983** | 366,551 | 420,141 | 403,019 | 663,339 |
| **Depreciation** (RM'000) | **8,279** | 17,370 | 23,552 | 26,473 | 30,498 |
| **Finance costs** (RM'000) | **4,641** | 3,527 | 3,053 | 2,578 | 3,494 |
| **(Loss)/Profit before tax** (RM'000) | **(10,923)** | (31,566) | 14,222 | 2,971 | 32,769 |
| **(Loss)/Profit before interest and tax** (RM'000) | **(6,282)** | (28,455) | 17,275 | 5,549 | 36,263 |
| **Profit/(Loss) before interest, tax and depreciation** (RM'000) | **1,997** | (11,085) | 40,827 | 32,022 | 66,760 |
| **Net (loss) / profit for the year** (RM'000) | **(15,679)** | (40,900) | 11,095 | 2,332 | 25,505 |
| **Total assets** (RM'000) | **657,777** | 665,990 | 709,304 | 635,696 | 704,961 |
| **Shareholders' equity** (RM'000) | **386,244** | 401,776 | 443,153 | 390,796 | 395,158 |
| **Total borrowings** (RM'000) | **110,658** | 112,009 | 79,424 | 82,238 | 73,538 |
| **Share capital** (RM'000) | **177,206** | 177,206 | 177,206 | 136,006 | 136,006 |
| **Earnings per share** (sen) | **(1.11)** | (2.89) | 0.80 | 0.17 | 1.91 |
| **Net assets backing** (sen) | **27.25** | 28.34 | 31.26 | 29.22 | 29.54 |
| **Gearing ratio** (times) | **0.29** | 0.28 | 0.18 | 0.21 | 0.19 |
| **Interest cover ratio** (times) | **(1.35)** | (7.95) | 5.66 | 2.15 | 10.38 |
| **Return on equity** (%) | **(4.06)** | (10.18) | 2.50 | 0.60 | 6.45 |

# Corporate Information

## Board of Directors

**Krishnan A/L C K Menon**
Non-Independent Non-Executive Chairman

**The Cheng Eng**
Group Managing Director

**Pang Sar**
Executive Director/Group Chief Executive Officer

**The Kun Ann**
Executive Director/Deputy Group Chief Executive Officer

**Teh Bee Choo**
Independent Non-Executive Director

**Law Siew Ngan**
Independent Non-Executive Director

## Company Secretaries

**Foo Pei Koon** (MAICSA 7067238) (SSM PC NO. 202108000380)
**Fong Sok Yee** (MAICSA 7066501) (SSM PC NO. 202008001180)
**Te Hock Wee** (MAICSA 7054787) (SSM PC NO. 202008002124)

## Audit & Risk Management Committee

**Teh Bee Choo**
Chairperson

**Law Siew Ngan**
Member

## Nomination Committee

**Law Siew Ngan**
Chairperson

**Teh Bee Choo**
Member

## Remuneration Committee

**Law Siew Ngan**
Chairperson

**Teh Bee Choo**
Member

## Registered Office

Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 603-2783 9191
Fax : 603-2783 9111
Email : info@my.tricorglobal.com

## Head Office

Level 8, Tower Block
Plaza Dwitasik
Jalan Sri Permaisuri
Bandar Sri Permaisuri
56000 Kuala Lumpur
Tel : 603-9171 9999
Fax : 603-9173 6666
Website : www.econpile.com

## Registrar

Tricor Investor & Issuing House Services Sdn. Bhd.
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur
Tel : 603-2783 9299
Fax : 603-2783 9222
Email : is.enquiry@my.tricorglobal.com

### *Customer Service Centre*

Unit G-3, Ground Floor, Vertical Podium
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

## Auditors

KPMG PLT (Firm No. LLP0010081-LCA & AF0758)
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan
Tel : 603-7721 3388
Fax : 603-7721 3399

## Principal Bankers

Alliance Bank Malaysia Berhad
Ambank (M) Berhad
CIMB Bank Berhad
HSBC Bank Malaysia Berhad
Malayan Banking Berhad
RHB Bank Berhad
United Overseas Bank (Malaysia) Bhd.

## Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad
Construction Sector

## Stock Name/Code

ECONBHD/5253

# Corporate Structure

**ECONPILE HOLDINGS BERHAD**
Registration No.: 201201032676
(1017164-M)

100%

**ECONPILE (M) SDN. BHD.**
Registration No.: 198701005594
(164265-P)

100%

**TROPICAL BROADWAY SDN. BHD.**
Registration No.: 201601019205
(1190142-K)

100%

**PLATINUM PRODUCTION SDN. BHD.**
Registration No.: 200001013169
(515775-H)

100%

**GLOBAL PILING SOLUTIONS CO., LTD.**
(Company No.: 00045864)
(Incorporated in Cambodia)

# Management Discussion & Analysis

Left:
**The Cheng Eng**
Group Managing Director

Right:
**Pang Sar**
Executive Director/ Group Chief Executive Officer

Malaysia's transition to the endemic phase in mid-2022 allowed the construction sector to fully resume works and make up for lost ground in private and public projects that were stalled by COVID-19-induced movement control orders in previous years.

Not only that, the uplifting of the foreign labour freeze as well as the smooth formation of the unity government in the fourth quarter of 2022 helped boost and bolster tender activities in the construction sector.

It was on the back of the gradually optimistic market sentiment and our inherent competitiveness that Econpile Holdings Berhad ("Econpile") and its subsidiaries ("the Group") successfully secured new projects, reaffirming our position as a prominent player in the piling industry.

On behalf of the Board of Directors of Econpile ("the Board"), we present the Annual Report and Audited Financial Statements for the financial year ended 30 June 2023 ("FY2023").

## ECONOMIC REVIEW

Global inflationary pressures and reduced economic activities resulted in lower Gross Domestic Product ("GDP") growth of 3.4% in 2022, from 6.0% rise a year ago.

In Malaysia, GDP grew 8.7% in 2022 from 3.1% rise in 2021, attributed to full resumption of businesses activities and construction works since April 2022 when the nation transitioned to the endemic phase. The value of work done in the construction sector kept pace with the rebounding economy, increasing 8.8% in 2022, from a contraction of 5.0% in 2021.

Although Malaysia's economy recorded moderate growth of 4.2% in the first half of 2023, the construction sector continued its strong streak, as the value of work done jumped by 8.1% to RM32.4 billion in the second quarter of 2023. The rise was attributed to higher civil engineering and residential building construction activities.

# Management Discussion & Analysis (Continued)

## BUSINESS AND OPERATIONS

Econpile is a specialist provider of bored piling and foundation services, primarily for high-rise property developments and infrastructure projects in Malaysia.

Econpile has two wholly-owned subsidiaries, namely Econpile (M) Sdn. Bhd. and Tropical Broadway Sdn. Bhd.. Econpile (M) Sdn. Bhd. in turn has two wholly-owned subsidiaries – Platinum Production Sdn. Bhd. and Global Piling Solutions Co., Ltd.. Below are the core services provided by the subsidiary companies:

| Direct Subsidiary | Principal Activities |
|---|---|
| Tropical Broadway Sdn. Bhd. | ◆ Undertakes property development |
| Econpile (M) Sdn. Bhd. | ◆ Provides piling and foundation services |
| **Indirect Subsidiary** | |
| Platinum Production Sdn. Bhd. | ◆ Undertakes regular maintenance of machinery and related accessories<br>◆ Engages in property investment |
| Global Piling Solutions Co., Ltd. (incorporated in Cambodia) | ◆ Undertakes piling and foundation projects in Cambodia |

As an integrated provider, Econpile offers a full suite of piling and foundation services, which includes construction of bored piles, earth retaining systems and substructures. Notable completed projects since inception include piling works for Klang Valley Mass Rapid Transit ("KVMRT"), Light Rail Transit 3 ("LRT 3"), Rapid Transit System Link ("RTS Link") and deep basement works for Pavilion Damansara Heights, Elite Pavilion, W Hotel and The Residences, and Oxley Towers.

**Share Performance (1 July 2022 – 30 September 2023)**

| | |
|---|---|
| Year High | RM0.330 |
| Year Low | RM0.130 |
| Year Close | RM0.285 |
| Trading Volume | 1,790.5 million |
| Market Capitalisation as at 30 September 2023 | RM404.0 million |

## OPERATIONAL HIGHLIGHTS

### *PROGRESS OF ON-GOING PROJECTS*

The Group had a total of 25 ongoing projects as at 30 June 2023, primarily made up of high-rise property development projects in the Klang Valley and Cambodia. During the period of FY2023, we successfully completed 11 projects.

Continuing from last year, the Group's largest project located in Phnom Penh City in Cambodia contributed more than one-third of our total Group revenue in FY2023. This project entails the construction of bored pile foundation and four-level basement for an integrated entertainment complex comprising three high-rise towers atop a multi-level podium.

The project site is divided into three main sections and currently basement slabs are being cast across all three sections, i.e. Tower 1 (Section 2), Tower 2 (Section 3) and Tower 3 (Section 1).

The financial year saw the completion of piling works, with the installation of close to 800 bored piles, ranged from 1.0m to 2.0m diameter with length up to 64.5m. The scope was a challenging feat as not only did we have to manoeuvre drilling in a congested urban environment, but also socketing the piles into some very hard rock.

# Management Discussion & Analysis (Continued)

The top soil profile of the project site consists of silt and sand followed by very stiff clay. This is underlain by weathered sandstone. The rigs started encountered rock layer from 30m to 40m below grade and the rock strength gets higher as the rigs advanced deeper. Some of the rock strength encountered was more than 100MPa. Core barrel, drilling bucket, cross cutter were the primary drilling tools used.

Coring through hard rock was not only hard on the rigs, but also the tooling. The experienced piling team had to make frequent adjustments and switched out drilling tools to overcome the challenging subsurface conditions. Comprehensive instrumentation was planned and implemented i.e. bi-directional static load test, sonic logging test, point load test and pile integrity test to ensure the quality of the piles instealled as well as to make sure the piles meet their designed capacity.

With piling works completed, the works for basement construction took centre stage. A semi top-down sequence is adopted to minimise cost and risk. Ground floor slabs across three sections were firstly cast to provide structural rigidity to the retaining wall before excavation proceeded in a top-down order from B1 level to B4 level. To date, the structure works for Tower 1 and Tower 3 have been completed. The construction of Tower 2 is at the lowest level now and is expected to be completed by end of 2023.

With earthquake resistant design, a massive concrete raft foundation is required. The project has accomplished a record-breaking largest concrete pour in Phnom Penh. The continuous concrete pour was to form part of the 4m thickness raft slab for Tower 1. It started at around 9am on 9 April 2023, running through to 4am the following day. The continuous pour saw 6,000 cubic metres of concrete laid below ground at Level B4 across an area of around 1,600 square metres. Nine concrete pump trucks were used and over 700 loads of concrete were delivered to site. The complexities that come with a single concrete pour of this magnitude requires rigorous inspection and planning to ensure success. Over 200 professionals and workers from different groups came together and worked in shifts throughout the 19 hours on the historic pour.

This monumental effort helps to provide a solid base for Tower 1 in distributing its weight evenly across the underlying soil. In total, the raft slab for Tower 1 alone spans an area close to 4,000 square metres.

On the local front in Malaysia, the Group has recently completed the bored pile work package in Bukit Chagar for the Immigration, Customs and Quarantine Complex ("ICQC") for Rapid Transit System Link ("RTS Link") between Johor Bahru and Singapore.

This completion of this project reinforces the Group's ability to construct large-diameter deep depth piles in stringent quality control environment.

We have completed over 250 bored piles with diameter and length ranging from 0.75m to 2.5m and 40m to 100m respectively. Of these, over 50% are very large piles measuring 1.8m in diameter onwards and up to the length of 100m. The piles were installed in sandy soil conditions without embedment into support rock.

This project successfully showcases not only the capability of our fleet of large-capacity machinery, but also the competence of our team in providing peak efficiency whilst upholding the highest quality, health and safety standards throughout the project execution.

## *NEW WINS IN FY2023*

With building material prices gradually easing and uplifting of the foreign labour ban, the construction sector saw improved project tendering activities. Despite the competitive environment, Econpile secured multiple new contracts with cumulative worth of RM285.9 million throughout FY2023, surpassing RM155.8 million worth of wins secured in the previous year.

Domestically, notable wins were a RM40.0 million contract from a subsidiary of Ekovest Berhad to undertake construction and piling work at the ICQC for RTS Link; and a RM24.1 million contract from Kota Bharu Medical Centre Sdn. Bhd. to undertake substructure works for a private hospital comprising a 12-storey hospital block and a 11-storey car park block with other facilities in Kota Bharu, Kelantan.

Meanwhile in Cambodia, we secured our second project worth USD9.5 million (approximately RM43.8 million) from Odom Living Co., Ltd. to undertake bored piling and diaphragm wall works for Odom Development at Norodom Boulevard, Sangkat Tonle Bassac in Phnom Penh. This new win from Cambodia further cements our presence and strengthens our visibility in the country, placing us favourably in future tenders.

# Management Discussion & Analysis (Continued)

## CORPORATE DEVELOPMENT

### *MATERIAL LITIGATION CASE*

With respect to material litigation, the major legal actions initiated against ASM Development (KL) Sdn. Bhd. ("ASMKL") for the recovery of the value of work performed are adjudication proceedings pursuant to Construction Industry Payment and Adjudication Act 2012 and arbitration proceeding at the Asian International Arbitration Centre ("AIAC").

We are seeking RM65.7 million in progress claims from ASMKL through adjudication proceedings and RM169.5 million for value of work performed, variations and claims for loss, expenses and damages incurred through arbitration proceeding. At the same time, ASMKL has counter claimed for RM211.4 million in the same arbitration proceeding.

We have successfully enforced two Adjudication Decisions totalling RM65.7 million as Orders/ Judgments of High Court in 2019 and in 2020, respectively. ASMKL has then filed several applications to the higher courts to appeal against the said Orders/Judgements.

The Federal Court has on 3 October 2023 affirmed the validity of the Orders/Judgements.

The status updates of the proceedings are detailed in the Notes to the Financial Statements from page 107 to page 109.

The final award of the arbitration will be the complete resolution of the matter. The first arbitration hearing was held in September 2022 and the hearing dates are scheduled until August 2024.

Based on the opinion of our solicitors, we are of the view that the Group has a reasonably good chance of success in succeeding in its claim and defending the counterclaim by ASMKL in the arbitration proceeding.

## FINANCIAL REVIEW

### *STATEMENT OF COMPREHENSIVE INCOME*

Econpile's revenue in FY2023 increased by 2.6% to RM376.0 million in FY2023 versus RM366.6 million in the previous year attributed to expedited construction works for ongoing projects and contribution from new wins secured.

Piling and foundation works for property development projects was the main revenue contributor in FY2023, making up RM327.7 million or 87.4% of total group revenue, while works for infrastructure and other related projects made up the balance RM48.3 million or 12.6%.

Meanwhile, the Group recorded gross profit of RM6.4 million in FY2023 in comparison to gross loss of RM16.0 million previously. The improvement was attributed to the stabilising price conditions of steel-related building materials, which helped to alleviate material cost pressures of ongoing projects.

Administrative expenses and net loss or gain on impairment of financial instruments remain the same which is RM18.4 million in FY2023 and FY2022. However, the higher interest rate caused the Group's finance cost to increase 31.4% to RM4.6 million from RM3.5 million previously. Nonetheless, as a result of the improved gross profit, Econpile narrowed its net loss in FY2023 by 61.6% to RM15.7 million, from RM40.9 million previously.

No dividends were paid out in FY2023 due to the net loss position of the Company.

### *STATEMENT OF FINANCIAL POSITION*

Nonetheless, the Group retained a healthy financial position as at 30 June 2023.

The Group's total assets stood at RM657.8 million from RM665.9 million a year ago, on lower property, plant and equipment, trade and other receivables, and other current assets. With sufficient fleet to fulfil ongoing project requirements alongside rigorous machinery maintenance in our in-house workshop, the Group allocated capital expenditure of RM1.7 million in the year under review.

Total liabilities amounted to RM271.5 million as at 30 June 2023 from RM264.2 million in the prior year. While trade and other payables increased in tandem with higher revenue, the Group's borrowings stood at RM110.7 million to support new and existing projects in Malaysia and Cambodia, compared to RM112.0 million a year ago.

# Management Discussion & Analysis (Continued)

The reduction in retained earnings preceded the slight dip in shareholders' equity to RM386.2 million in end-June 2023 from RM401.8 million previously. Still, the Group maintained a commendable financial position despite the difficult conditions, with manageably low net gearing of 0.17x as at 30 June 2023 versus 0.15x in the prior year.

## RISKS

With the labour shortage no longer acute and the productivity normalising in the financial year, the risk of delayed completion has accordingly been subsided. The other principal risks faced by the Group are as follows.

### *CASH FLOW LIQUIDITY RISK*

Continuing from last year, cash flow management remains a priority focus area as the Group's customers gradually recover from the damaging impact of the Covid-19 pandemic.

We depend mainly on interim payments from clients during construction to discharge the debt accrued. When an interim payment is delayed or not paid, it would affect our ability to continue with the project in full capacity or even result in intermittent work stoppages.

The Group's liquidity risk arises from the credit exposure to its customers from outstanding receivables. Generally, the interim payments due from the newer projects are paid within reasonable time. Our cash flow is affected by long-overdue payments from some projects completed during and before the Covid-19 pandemic.

We believe our liquidity position will remain tight in the near term but will gradually improve in line with the increase in residential launches and opening of commercial space by our customers.

The Board would continue to assess sources of liquidity risk, such as cash flow projections, access to financing and potential payment default, to safeguard the Group against liquidity mismatches that could threaten its financial stability.

### *PROJECT COST OVERRUN*

Unlike past year, the price of steel has been holding steady without significant volatility in 2023. The price of concrete however has been on an upward trend since late 2022.

Steel makes up much more of the Group's direct material costs than concrete does. With the expectation of the world's demand of steel growing at a much gradual rate in 2024, the Group does not expect sharp spurt in steel price in the foreseeable future.

As long as price volatility of building materials stays muted, the profit margin for new projects should be able to cushion any gradual increase in the prices of materials. Having said that, with the rising energy costs worldwide and the continuing geopolitical tensions, it is not impossible for the steel price to rise unexpectedly in a short period of time and sending our projects into cost overrun. Fluctuations in the prices of steel and concrete could cause the Group's results of operations to vary significantly and may adversely affect the Group's business, financial position, results of operations and prospects.

With majority of the Group's projects awarded from the private sector, the contract clauses mostly do not include variation of price on building materials that can allow the Group to be provided for against higher prices when occurred. The impact was seen from 2020 to 2022 as price of steel-related building materials, cement, concrete and others were higher in tandem with rising energy prices due to the Russian-Ukraine tensions and supply chain disruptions.

The management monitors price fluctuations on a regular basis to hopefully minimise the price difference from the initial project cost. Besides, we are also able to propose value engineering to potentially reduce this risk.

## FUTURE OUTLOOK

Bank Negara Malaysia in August 2023 had forecasted for Malaysia to reach GDP growth between 4% and 5% due to the challenging global environment. The nation's GDP will continue to be supported by domestic demand amid improving employment and income as well as implementation of multi-year projects.

The domestic construction sector is expected to see an increase of 6.1% in 2023, supported by better performance by all subsectors as construction works continue to maintain steady productivity. The expansion is seen coming from approved investments for projects in the manufacturing sector, spurring greater demand for industrial buildings, as well as steady increase in supply of affordable houses in line with the 12th Malaysia Plan strategy to build 500,000 units by 2025.

# Management Discussion & Analysis (Continued)

Meanwhile, overall building material prices are still elevated as the Department of Statistics Malaysia stated the unit price index of building materials in the Peninsular Malaysia rose by between 0.2% and 23.8% in July 2023 compared to the same month last year.

On the back of the improving outlook for the construction sector, the Group hopes to capitalise the opportunities with our core expertise of bored piling and deep foundation works.

## GROWTH STRATEGIES

We have identified three core strategies to drive the Group forward:

- **Tendering for construction related projects**

  With home ownership still a key priority nationwide, tenders for property development projects are still being called albeit in smaller contract sums as developers adopt a pragmatic view. We continue to receive invitations to participate in tenders for mixed development projects in Klang Valley, and aim to remain competitive.

  Not only that, there is also growing demand for industrial properties as multinational companies are showing interest to set up operations in Malaysia due to the nation's strategic geographic location and attractive policies for foreign direct investment.

  We are also exploring selective opportunities in public mega projects to support Malaysia's ongoing infrastructure development drive.

  We endeavour to continue participating in property and infrastructure-related projects to play our role in Malaysia's advancement.

- **Expanding foothold in Cambodia**

  We are upbeat of Cambodia's long-term growth prospects in line with its drive towards modernisation and urbanisation. This is anticipated to spur demand for piling and deep foundation works in the foreseeable future. Our positive outlook of the country's growth is matched by us securing our second project in Phnom Penh in the financial year.

  As Cambodia continues to expand, the country is expected to attract more foreign investment in the long-term, particularly in the real estate sector. According to the National Bank of Cambodia, the country's foreign direct investment for the first quarter of 2023 reached USD45.8 billion, a 9% rise compared to last year. Capital allocations originated were from China, South Korea, Singapore, Japan, Vietnam, Malaysia, Thailand and the United Kingdom.

  We believe that our track record, existing fleet in Phnom Penh and positive progress in our present undertaking places us in good stead to secure more jobs in Cambodia.

- **Investing in fleet in anticipation of more large projects**

  We plan to allocate approximately RM10 million of capital expenditure to purchase new machinery in the coming year in light of the upcoming construction sector growth, supported by the nation's aim to roll out more impactful infrastructure projects such as the Klang Valley Mass Rapid Transit Line 3 Circle Line, Bayan Lepas Light Rail Transit Line and Kuala Lumpur-Singapore High Speed Rail.

  In particular, we are looking to acquire large-capacity drilling rigs to take up challenging piling jobs. Construction of large-diameter deep depth pile has been and is one of our greatest competitive advantage over other contractors. We will continue to strengthen our leadership position in this space as the demand for large/deep piles continues to be strong. It is anticipated that the most large-scale infrastructure jobs in the pipeline would all require large and/or deep piles to support the heavy loads.

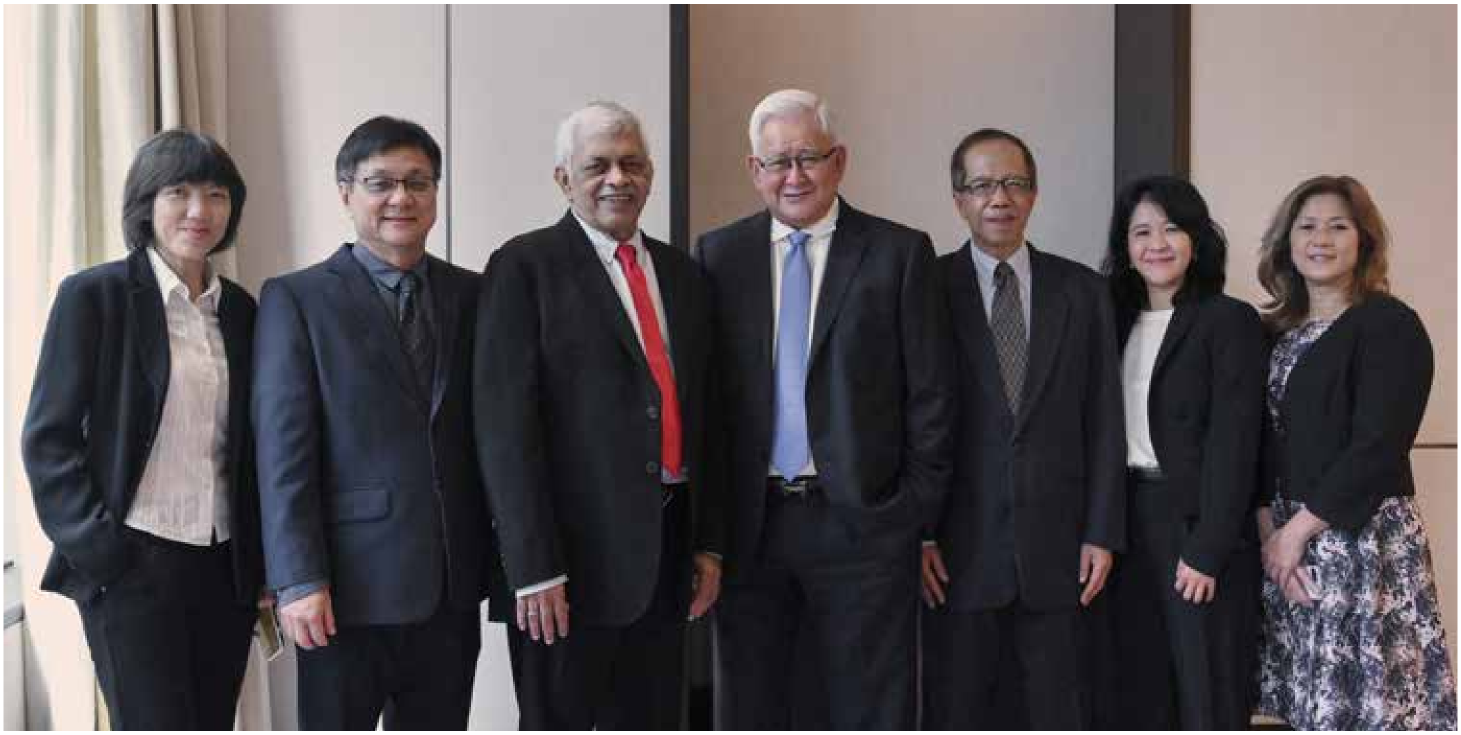
## APPRECIATION

We want to express our gratitude to the Board, management, and our dedicated employees for their unwavering efforts in contributing to the Group's accomplishments. We also want to thank our business partners, associates, suppliers, customers, and valued shareholders for their continued support.

Sincerely,
**The Cheng Eng**
Group Managing Director

**Pang Sar**
Executive Director/ Group Chief Executive Officer

# Directors' Profiles



From Left to Right:
**1. LAW SIEW NGAN (f)**
Independent Non-Executive Director
**2. PANG SAR**
Executive Director/ Group Chief Executive Officer
**3. KRISHNAN A/L C K MENON**
Non-Independent Non-Executive Chairman
**4. THE CHENG ENG**
Group Managing Director
**5. DATO' ROSLI BIN MOHAMED NOR**
Non-Independent Non-Executive Director
(resigned on 18 October 2023)
**6. THE KUN ANN (f)**
Executive Director/ Deputy Group Chief Executive Officer
**7. TEH BEE CHOO (f)**
Independent Non-Executive Director

## KRISHNAN A/L C K MENON
### Non-Independent Non-Executive Chairman

Krishnan A/L C K Menon (Male), a Malaysian aged 73, is our Non-Independent Non-Executive Chairman. He was appointed to our Board on 20 February 2014. He does not sit on any Board Committees of the Company. He is a Fellow of the Institute of Chartered Accountants in England and Wales, a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants.

He spent 13 years in public practice with Hanafiah, Raslan and Mohamed where he left as the Partner in 1987. Thereafter, he joined Public Bank Berhad where he served for 6 years and left as the Executive Vice-President in 1994. After serving 2 public-listed companies, he joined Putrajaya Holdings Sdn. Bhd. as Chief Operating Officer from 1997 until 2000.

He was a Non-Executive Director of Petroliam Nasional Berhad from 2010 to 2019. He is presently the Non-Independent Non-Executive Chairman of SCICOM (MSC) Berhad.

Mr Menon has attended all the 6 Board meetings held during the financial year ended 30 June 2023. He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) nor has been imposed of any public sanctions or penalties by any relevant regulatory bodies during the financial year ended 30 June 2023.

## THE CHENG ENG
### Group Managing Director

The Cheng Eng (Male), a Malaysian aged 75, is our founder and Group Managing Director. He is also a major shareholder of the Company. He was appointed to our Board on 8 October 2013. As our Group Managing Director and a member of Key Senior Management, he is responsible for oversight of operations as well as directing growth and strategic direction of the Group.

He has over 50 years of extensive experience in the piling and foundation industry. He started his career in Singapore as a Site Supervisor with United Engineers Pte. Ltd., and later as a Senior Site Manager with Caisson Piling Pte. Ltd. He pursued several entrepreneurial ventures in the field of geotechnical engineering before founding Econpile (M) Sdn. Bhd. in 1987. He is currently a trustee of Chong Hwa KL Foundation.

Mr The has attended all the 6 Board meetings held during the financial year ended 30 June 2023. He is the father of Ms The Kun Ann, the Executive Director/Deputy Group Chief Executive Officer of the Group. He has no conflict of interest with the Company except for the related party transaction as disclosed. He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) nor has been imposed of any public sanctions or penalties by any relevant regulatory bodies during the financial year ended 30 June 2023.

# Directors' Profiles (Continued)

## PANG SAR
### Executive Director/ Group Chief Executive Officer

Pang Sar (Male), a Malaysian aged 65, is our Executive Director and Group Chief Executive Officer. He is also a major shareholder of the Company. He was appointed to our Board on 8 October 2013. As a member of Key Senior Management, he is responsible for managing the day-to-day operations as well as establishing the overall strategic direction for the Group. He graduated with a Bachelor of Science with Honours Degree in Civil Engineering from University of Leeds, United Kingdom. He is a member of the Institution of Engineers, Malaysia, and a Registered Professional Engineer with the Board of Engineers, Malaysia.

Mr Pang has over 35 years of experience in managing on-site and off-site responsibilities in the piling and foundation sector. Prior to joining Econpile (M) Sdn. Bhd. in 1991, he has served in various capacities, including as Resident Engineer and Project Manager, in consultant firm and construction companies.

Mr Pang has attended all the 6 Board meetings held during the financial year ended 30 June 2023. He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) nor has been imposed of any public sanctions or penalties by any relevant regulatory bodies during the financial year ended 30 June 2023.

## THE KUN ANN
### Executive Director/Deputy Group Chief Executive Officer

The Kun Ann (Female), a Malaysian aged 43, is our Executive Director and Deputy Group Chief Executive Officer. She was appointed to our Board on 8 October 2013. As a member of Key Senior Management, she assists the Group Managing Director and Group Chief Executive Officer to provide overall leadership in operations and strategic planning. She graduated with a Bachelor of Business and Commerce Degree and a Master of International Business, both from Monash University, Australia.

Prior to joining the Group in 2010, Ms The has 10 years of experience in commercial and non-profit operations. She started her career with an environmental company in charge of business development activities before joining the department of government affairs at the American Malaysian Chamber of Commerce.

Ms The has attended all the 6 Board meetings held during the financial year ended 30 June 2023. She is the daughter of Mr The Cheng Eng, the Group Managing Director and major shareholder of the Company. She has no conflict of interest with the Company. She has not been convicted of any offences within the past 5 years (other than traffic offences, if any) nor has been imposed of any public sanctions or penalties by any relevant regulatory bodies during the financial year ended 30 June 2023.

## TEH BEE CHOO
### Independent Non-Executive Director

Teh Bee Choo (Female), a Malaysian aged 60, is our Independent Non-Executive Director. She was appointed to the Board on 3 August 2022. She is the Chairperson of the Audit & Risk Management Committee and a member of the Nomination Committee and the Remuneration Committee. She graduated from Swinburne Institute of Technology Australia (now known as Swinburne University of Technology) with a Bachelor of Business in Accounting with Data Processing. She is a Chartered Accountant of the Malaysian Institute of Accountants.

Ms Teh has over 30 years of extensive working experience in accounting and financial management. She is the Chief Financial Officer of PESTECH International Berhad ("PESTECH"), currently heading its Accounts and Finance Division. She is responsible for PESTECH's financial reporting, risk management, internal controls, financial and budgetary planning, and taxation.

Prior to joining PESTECH in 2008, her work experience includes holding various senior finance positions in private and public companies as well as running her own company offering corporate management services.

Ms Teh has attended all the 5 Board meetings held after her appointment on 3 August 2022 during the financial year ended 30 June 2023. She has no family relationship with any director and/or major shareholder of the Company. She has no conflict of interest with the Company. She has not been convicted of any offences within the past 5 years (other than traffic offences, if any) nor has been imposed of any public sanctions or penalties by any relevant regulatory bodies during the financial year ended 30 June 2023.

# Directors' Profiles (Continued)

## LAW SIEW NGAN
**Independent Non-Executive Director**

Law Siew Ngan (Female), a Malaysian aged 62, is our Independent Non-Executive Director. She was appointed to the Board on 18 October 2022. She is the Chairperson of the Nomination Committee and Remuneration Committee and a member of the Audit & Risk Management Committee. She is a Chartered Accountant of the Malaysian Institute of Accountants.

Ms Law has over 30 years of extensive experience across financial management, accounting, audit, risk management, human resources and senior level strategic planning. She started her career by serving articleship at Hanafiah, Raslan and Mohamed in 1981 where she left as an audit supervisor in 1989. This is followed by a progressive career in commerce holding various senior positions in finance and corporate in private and public companies from 1990 to 2018.

Ms Law has attended all the 3 Board meetings held after her appointment on 18 October 2022 during the financial year ended 30 June 2023. She has no family relationship with any director and/or major shareholder of the Company. She has no conflict of interest with the Company. She has not been convicted of any offences within the past 5 years (other than traffic offences, if any) nor has been imposed of any public sanctions or penalties by any relevant regulatory bodies during the financial year ended 30 June 2023.

## DATO' ROSLI BIN MOHAMED NOR
**Former Non-Independent Non-Executive Director** (resigned on 18 October 2023)

Dato' Rosli Bin Mohamed Nor (Male), a Malaysian aged 64, is our former Non-Independent Non-Executive Director. He was appointed to the Board as an Independent Non-Executive Director on 8 October 2013 and was redesignated as Non-Independent Non-Executive Director on 18 October 2022. He has subsequently resigned from the Board on 18 October 2023 and ceased to be members of the Audit & Risk Management Committee, Remuneration Committee and Nomination Committee on the same date. He graduated with a Bachelor of Science in Civil Engineering from Brighton Polytechnic (presently known as Brighton University), United Kingdom.

Dato' Rosli has a wealth of experience spanning over 35 years in the fields of infrastructure development and construction. He served in different capacities at Engineering and Environmental Consultants Sdn. Bhd. and United Engineers (M) Bhd. before starting his own construction business.

He then moved on to other new businesses in property development and mining. In 2010, he was engaged as the Business Development Director of TRC Infra Sdn. Bhd. He is currently the Corporate Advisor to Hassan (Cambodia) Development Co., Ltd., a prominent shopping mall developer in Cambodia.

He was a Director of Export-Import Bank of Malaysia Berhad ("EXIM Bank") for 9 years and served as a member of its Board Audit Committee and its Board Risk Committee, among other committees at EXIM Bank. He is presently an Independent Non-Executive Director of Salcon Berhad.

Dato' Rosli has attended all the 6 Board meetings held during the financial year ended 30 June 2023. He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) nor has been imposed of any public sanctions or penalties by any relevant regulatory bodies during the financial year ended 30 June 2023.

# Key Senior Management Profiles

*Apart from the Group Managing Director, the Executive Director/Group Chief Executive Officer and the Executive Director/Deputy Group Chief Executive Officer, the Key Senior Management also comprises the following personnel.*

**Ng Heng Heem** (Male), a Malaysian aged 67, is our Senior General Manager (Contracts). He was appointed to this position on 1 July 2014. He is responsible for the management, execution and monitoring of tender and contract functions of the Group. He graduated with a Bachelor of Quantity Surveying (Honours) from University of Technology Malaysia in 1979. He is a member of the Royal Institution of Surveyors Malaysia and a professional member of the Royal Institution of Chartered Surveyors. He is also a registered Quantity Surveyor registered with Lembaga Juruukur Bahan Malaysia. He possesses over 40 years of experience in contract administration and quantity surveying in the construction sector.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) nor has been imposed of any public sanctions or penalties by any relevant regulatory bodies during the financial year ended 30 June 2023.

**Amrick Singh A/L Atar Singh** (Male), a Malaysian aged 54, is our Chief Operating Officer. He was promoted from Deputy Senior General Manager (Projects) to the current position on 1 June 2023. He is responsible for monitoring project performance and management of site operational matters for all construction projects in Malaysia. He graduated with a Bachelor of Civil Engineering with Honours Degree from Universiti Teknologi Malaysia in 1992. He passed the Safety and Health Officer Examination conducted by National Institute of Occupational Safety and Health in 1999.

He has over 30 years of technical experience in the piling sector involving the foundation construction of infrastructure and commercial developments.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) nor has been imposed of any public sanctions or penalties by any relevant regulatory bodies during the financial year ended 30 June 2023.

**Choo King Hwa** (Male), a Malaysian aged 62, is our Senior General Manager (Projects). He was appointed to this position on 1 July 2014. He is currently based in Cambodia and is responsible for the monitoring and management of site technical activities for all construction projects in Cambodia. He graduated with a Bachelor of Civil Engineering with Honours Degree from Monash University, Australia in 1985. He has over 35 years of experience (in a variety of technical and managerial roles locally and internationally, involving in tendering, design and all the way through to completion of construction of projects.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) nor has been imposed of any public sanctions or penalties by any relevant regulatory bodies during the financial year ended 30 June 2023.

**Lau Kent Lit @ Loh Kent Lit** (Male), a Malaysian aged 43, is our Deputy Senior General Manager (Finance). He was appointed to this position on 15 July 2022. He is responsible for directing the financial and accounting operations of the Group. He graduated with a Bachelor of Accounting (Hons) from Multimedia University, Malacca in 2002. He is a Chartered Accountant of the Malaysian Institute of Accountants and a member of the Certified Practising Accountant Australia (CPA, Australia).

He has over 15 years of experience in the areas of financial and management reporting, business planning, initial public offering and merger & acquisition exercises, treasury affairs, company secretarial matters, taxation, investor relationship, internal controls and other management disciplines.

He has no family relationship with any director and/or major shareholder of the Company. He has no conflict of interest with the Company. He has not been convicted of any offences within the past 5 years (other than traffic offences, if any) nor has been imposed of any public sanctions or penalties by any relevant regulatory bodies during the financial year ended 30 June 2023.

Note:
1. Save as disclosed, the Directors and Key Senior Management do not hold any directorship in public companies and listed issuers.

# Sustainability Statement

## A. Introduction

The Board of Directors of Econpile Holdings Berhad ("the Board") regards sustainability as a fundamental aspect of sound governance and a crucial element to ensure long-term financial success of Econpile Holdings Berhad ("the Company" or "Econpile") and its subsidiaries (collectively referred to as "the Group). We perceive the integration of sustainability into our operations as an opportunity to become a better company for the benefit of our stakeholders, including our shareholders.

In the financial year ended 30 June 2023 ("FY2023"), the Company registered a net loss of RM15.7 million – the second consecutive loss-making year since it was listed on Bursa Malaysia Securities Berhad ("Bursa Securities") in 2014. Following the aftermath of the Covid-19 pandemic, the Group continued to prioritise immediate financial stability over longer-term organisational goals due to limited financial resources in FY2023.

Having said that, the Board firmly believes that engaging in sustainable practices can lead to cost savings, improved operational efficiency and enhanced reputation, which can contribute to financial prosperity in the long term.

Sustainability activities persisted despite limitations in resources. In FY2023, internal audits have been instrumental in driving ongoing enhancements in quality, environmental responsibility, and health and safety practices. Over a six-month period in FY2023, we conducted comprehensive audits across project sites and departments to ensure our continued adherence to the ISO 9001, ISO 14001, and ISO 45001 standards.

As signs of recovery emerge in the construction sector in Malaysia, the Group is determined to continue to invest in sustainability and embed its principles and actions in the business over time.

This Sustainability Statement underlines our commitment towards being a sustainable organisation and our endeavours to continuously improve our sustainability efforts across three aspects of sustainability i.e. economic, environmental and social ("EES").

This Statement reports the Group's sustainability activities undertaken in FY2023 within a challenging operating context, both internally and externally.

This Sustainability Statement forms part of our Annual Report which is available online at www.econpile.com.

## B. Reporting Scope and Coverage

This sustainability statement covers financial year ended 30 June 2023 for the period from 1 July 2022 to 30 June 2023.

The scope of this Sustainability Statement covers our main business division i.e. general construction and piling works operating under the Company's core wholly-owned subsidiary, Econpile (M) Sdn. Bhd. ("EMSB").

This Sustainability Statement is an update of the preceding financial year's Sustainability Statement. The Sustainability Statement reporting framework is guided by Global Reporting Initiative ("GRI") Standards as encouraged by Bursa Securities and has been prepared in accordance with Bursa Securities' Sustainability Reporting Guide, 2nd Edition ("SRG"), issued in 2018.

## C. Governance Structure

The Group Managing Director ("Group MD") and the Group Chief Executive Officer ("Group CEO") have the overarching responsibility for Econpile's sustainability work. The Board of Directors oversees and governs the Group's sustainability performance, while the members of Key Senior Management are responsible for the operational performance and reports to the Group MD and Group CEO.

# Sustainability Statement (Continued)

## D. Stakeholders Engagement

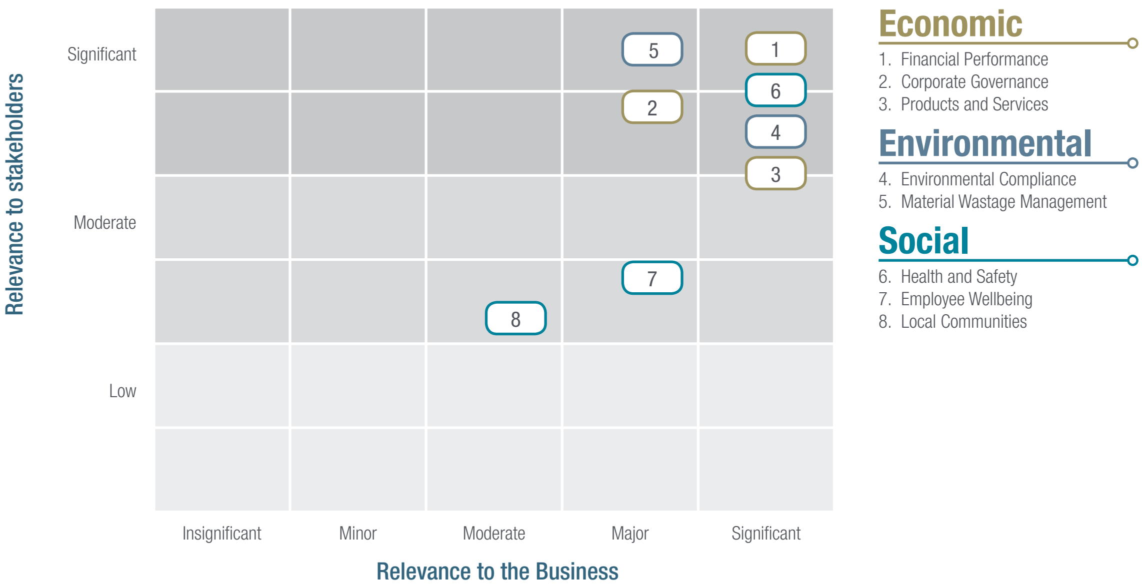
The six groups of identified stakeholders have remained unchanged from the previous year. Their respective engagement channel is described as follows:

| Key Stakeholders | Focus Areas | Method of Engagement | Frequency |
|---|---|---|---|
| **Internal** | | | |
| Shareholders and investors | • Group's financial and operational performance<br>• Strategy and risk management<br>• EES risks and opportunities | • Announcements of financial statements<br>• Small group meetings and conference calls<br>• Annual report<br>• General meeting | • Annually<br>• Regularly<br>• Annually<br>• Annually |
| Employees | • Health and safety<br>• Career development | • Performance review<br>• Management meeting<br>• Open-door policy | • Annually<br>• Monthly<br>• Regularly |
| **External** | | | |
| Customers | • Price competitiveness<br>• Project delivery schedule<br>• Quality execution of works<br>• Regulatory compliance | • One-to-one meetings<br>• Dedicated project chat groups on messaging platform | • Regularly<br>• Regularly |
| Suppliers and subcontractors | • Product and service quality<br>• Delivery schedule<br>• Price competitiveness<br>• Health and safety practices | • Routine business reviews with key suppliers and subcontractors<br>• One-to-one meetings | • Regularly<br>• Regularly |
| Regulators and authorities | • Compliance with laws and regulations<br>• Licenses to sustain operations | • Statutory reporting<br>• One-to-one and small group meetings | • Annually<br>• Regularly |
| Local communities | • Environmental and social impacts | • Individual and small group meetings<br>• Daily informal interactions | • Regularly<br>• Regularly |

## E. Material Sustainability Matters

Given the ongoing financial pressure faced by the Group, we have streamlined the sustainability matters to matters that not only offer long-term benefits to the Group but also have the potential to enhance our bottom-line within a shorter timeframe i.e. the inclusion of material wastage management.

It is evident that by minimising material waste, we can reduce material procurement costs, ultimately enhancing project margins and directly contributing to improved financial performance.



# Sustainability Statement (Continued)

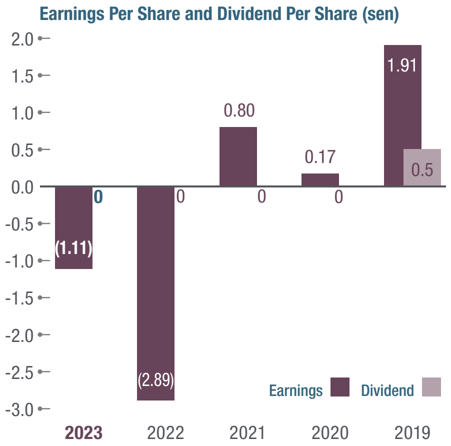
## E. Material Sustainability Matters (Continued)

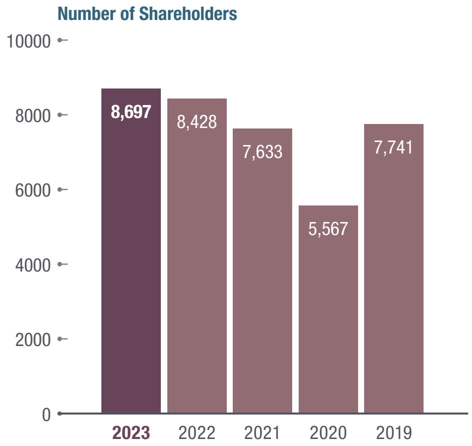
### Financial Performance

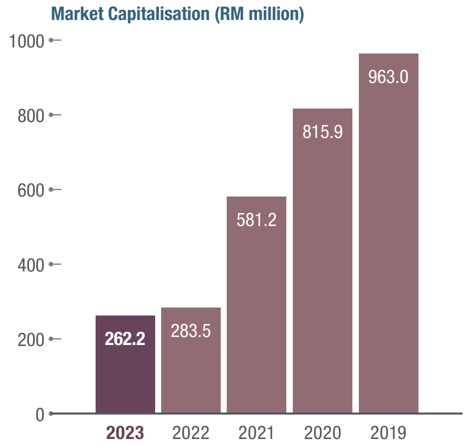
In a volatile business environment, the Group's primary strategic objective is to generate income and ensure financial stability. Above all, maintaining a positive financial performance is fundamental for the sustained viability of any company.

Following normalisation of economic activity post pandemic, the property market in Malaysia is also gradually returning to normalcy with more buying activities. However due to scarcity of projects amid moderate economic growth, developers continue to base their contract awards primarily on pricing considerations. As a result, the pressure on our profit margins is persisting, affecting our operational earnings.

At the conclusion of the FY2023, the Company's shareholder count stood at 8,697, a slight increase from 8,428 at the close of the prior year with a total of 1,417,500,025 ordinary shares currently. As at 30 June 2023, the quoted price of our shares was RM0.185, resulting in a market capitalisation of RM262.2 million.




Due to the Group's financial loss in FY2023, the earnings per share stood at -1.11, which showed improvement compared to the -2.89 from the preceding year. As a result, no dividends have been declared.

In FY2023, the Group achieved a 2.6% increase in revenue, reaching RM376.0 million, as opposed to RM366.6 million in the prior year. Additionally, the Group reported a gross profit of RM6.4 million in FY2023, a significant improvement compared to the gross loss of RM16.0 million in the previous year. This improvement can be primarily attributed to the stabilisation of steel prices, which alleviated the material cost pressures on ongoing projects.

During the reporting year, the Group placed a strong emphasis on maintaining a healthy balance sheet. As at 30 June 2023, our cash and cash equivalents amounted to RM45.2 million, and we maintained a low gearing ratio of 0.29 times. These have helped the Group during times of uncertainty by reducing financial risk and providing financial flexibility to better weather economic challenges.

The complete audited financial statements for FY2023 are presented on pages 47 to 116 and the analysis of the profit performance is explained in the Management's Discussion and Analysis on pages 4 to 9 of this annual report.

### Corporate Governance

The Group consistently endeavours to conform with the best practices in regulatory requirements to achieve business sustainability and affluence. The Board is committed to embed strategic and ethical approach to build a culture of robust corporate governance that aspires accountability, transparency and ethical conduct.

We observe the principles and best practices set out in the Malaysian Code on Corporate Governance 2021 ("MCCG"). Deviations from the Code are reported in our annual report. The Audit & Risk Management Committee ("the ARMC") is under the supervision of the Board and is principally responsible to set out the formal approach to risk management to enhance decision-making, performance, accountability and outcomes.

## E. Material Sustainability Matters (Continued)

### Corporate Governance (Continued)

The Group strives to adhere to the highest standards of regulatory requirements in pursuit of business sustainability and prosperity. The Board is dedicated to instilling a strategic and ethical approach that fosters a corporate culture characterised by strong corporate governance, emphasising accountability, transparency, and ethical behavior.

A detailed explanation on our corporate governance practices is presented in the Corporate Governance Overview Statement from pages 25 to 38 which encompasses areas such as our core policies, independence and diversity on the board, remuneration practices and other governance relevant matters.

To further enhance our governance practices, we have implemented the Whistleblowing Policy & Guidelines, which can be accessed at www.econpile.com. This policy allows for the confidential reporting of suspected instances of bribery and corruption. It ensures the anonymity and protection of whistleblowers while treating all reports with utmost confidentiality. Whistleblowing reports are directly addressed to the ARMC Chairperson and will be escalated to ARMC and the Board if necessary.

No whistleblowing cases were received for the FY2023.

### Products and Services

The Group believes that the quality of what we offer plays a pivotal role in nurturing strong client relationships and fostering repeat business. We operate a quality management system certified to ISO 9001:2015 across our core project activities in our core business in deep foundation. The quality targets we measured and strive to achieve in the financial year include:

- Meeting clients' requirements by consistently prioritising customer satisfaction throughout the construction period and ensuring on-time project completion;
- Minimising material and service delivery delays to project sites through efficient procurement and contract administration;
- Enhancing machinery efficiency through regular and preventive maintenance; and,
- Promoting a culture of quality awareness within the Group through continuous process improvement and training.

For FY2023, 83% of our targeted clients had responded to our post-project satisfaction survey, with an average satisfaction rating of 72%. Some of the areas which require improvement include project coordination with stakeholders, follow ups on works to achieve practical completion, subcontractor management, and site personnel management.

There is also room for improvement in terms of timely completion of projects as evident by the potential liquidated damages exposure for certain completed projects.

We maintain informal and ongoing communication with our clients, recognising that their satisfaction is directly correlated with the quality of our products and services.

These communications primarily focus on project timeliness, quality control, and technical support. Acknowledging the value of complaints as valuable feedback, our project employees promptly report and share these concerns with management to identify their root causes and implement solutions.

Managing the standards of products and services provided by our suppliers and sub-contractors is of paramount importance as it significantly influences the final quality of our projects. We regularly assess their performance throughout the project's construction phases through daily briefings and consistent communication.

### Environmental Compliance

The Group specialises in piling and deep foundation work and acknowledges the environmental impacts associated with its services. Our usual operations encompass work scope such as earthwork, construction of earth retaining structures, bored piling, and construction of substructures. Ensuring adherence to legal and regulatory mandates remains our foremost commitment.

The Group is committed to providing the necessary resources to develop, operate and maintain environmental management. To this end, we have designated environmental officers who play a pivotal role in overseeing environmental concerns at our construction sites.

# Sustainability Statement (Continued)

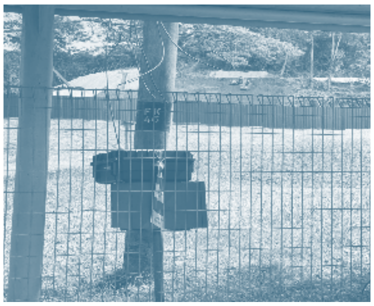
## E. Material Sustainability Matters (Continued)

**Environmental Compliance** (Continued)

In FY2023, our commitment to environmental responsibility was evident as we actively maintained our ISO 14001:2015 Environmental Management System. This certification underscores our dedication to safeguarding the environment and facilitates our adherence to environmental regulations through a process of continual improvement. The five main environmental protection activities monitored under the ISO framework are:

| | |
|---|---|
| 1. Establishment of environmental aspect and impact (pre-construction) | We carry out environmental aspect and impact assessments for all project sites before commencement of work. The assessments help us to identify, mitigate and manage environmental risk. |
| 2. Implementation of Environmental Management Plan | We monitor the quality of air, noise, water discharges and vibration levels at selected project sites to ensure compliance with regulatory limits as well as contractual requirements. |
| 3. Management of scheduled waste | We manage scheduled waste in compliance with legislative requirements whilst licensed contractors undertake collection and disposal activities. |
| 4. Management of construction and domestic waste | We ensure construction and domestic waste is managed safely and sustainably in line with legal duties to dispose of waste responsibly. |
| 5. Implementation of Best Management Practices | We implement site specific erosion and sediment control as site conditions dictate. |

The Group is committed to prevent air, noise and water pollution in places we operate. In particular, full scope of environmental monitoring was performed at Rapid Transit System Link site in Johor Bahru and a private project site in Kuala Lumpur East Park in FY2023. We plan to extend our monitoring efforts in the coming year, going beyond mere compliance with regulatory and contractual obligations, to demonstrate our dedication to this aspect.


On our project sites, we adhere to the Best Management Practices to mitigate the risks of erosion and sedimentation resulting from construction activities. To address these challenges, we have established a set of standard control measures that are implemented across all our projects. However, we also recognise the importance of tailoring our approach to site-specific conditions. Some of the commonly employed measures include the construction of silt traps, the installation of silt fences, the application of protective covering over exposed slope surfaces, and the provision of wash troughs for construction vehicles entering and exiting the sites.

Environmental training is a crucial factor in enhancing the maturity of environmental management in the Group. Six trainings took place in FY2023 and the topics covered include:

1. Waste Management & Vector Control
2. Chemical Management
3. Oil Spillage Clean Up
4. Erosion & Sedimentation Control
5. Scheduled Waste Management
6. Sustainability Environmental Quality Monitoring

In the financial year under review, specifically we have stepped up our environmental endeavours by allocating more time and manpower to examine and reduce the environmental impacts of our workshop in Rawang, Selangor.

The workshop is the heart of our operations where we carry out refurbishment, fabrication, modification repair or maintenance works on our fleet of machinery, tools and equipment.  It is therefore inevitably a more significant source of environmental impacts of the Group.

# Sustainability Statement (Continued)

## E. Material Sustainability Matters (Continued)

**Environmental Compliance** (Continued)

In particular, we have conducted an environmental aspects and impacts assessment which involves identifying and evaluating the various environmental aspects associated with the workshop's activities and then assessing their potential impacts on the environment.

| Environmental Aspect | Environmental Impact |
|---|---|
| Natural Resources Usage: the workshop uses non-renewable sources of energy such as diesel fuel in its operations | Resource depletion and increased pressure on ecosystem |
| Air Emissions: emissions may occur from machinery exhaust or other sources | Air pollution |
| Noise Emissions: machinery and equipment generate noise during operation | Noise pollution |
| Chemical Usage: the workshop uses various chemicals for cleaning, lubricating, and maintaining machinery | Chemical spills, improper disposal which may result in soil and water contamination and harm to human health |
| Scheduled Waste Generation: the workshop generates scheduled waste, such as used oils, solvents, and contaminated materials, as a byproduct of its operations | Improper handling, storage, or disposal may result in soil and groundwater contamination, posing risks to human health and ecosystems |
| Waste Generation: the workshop produces various types of waste, including metal shavings, used oils, and scrap materials, as a byproduct of its operations | Inadequate waste management practices may lead to landfills receiving large quantities of waste from the workshop, contributing to environmental degradation |

The assessment has provided the workshop a roadmap for setting and achieving environmental objectives and compliance with regulations. Regular reviews and audits were carried out in FY2023 to identify areas where further improvements can be made, ensuring the workshop remains proactive in reducing its environmental impacts.

Meetings were held weekly with the management to track progress towards environmental targets and ensure the implemented measures are effective.

**Material Wastage Management**

The Group procures significant quantities of steel reinforcement bars and ready-mixed concrete for our business operations, and we obtain these materials from local suppliers and manufacturers.

Aside from extraction of natural resources, the production of steel reinforcement bars and concrete contributes to significant amount of carbon dioxide emissions into the environment. By minimising the use of our steel bar and concrete, the Group is able to reduce its environmental footprint accordingly.

Some amount of steel and concrete is always wasted during construction. We use steel and concrete in both piling and basement reinforced concrete structural works. We have set different allowable wastage percentage for materials for different stages of work.

The threshold for concrete wastage during piling is higher than reinforced concrete structural works, where we have more control on the construction environment.

| Type of Work | Target Maximum Wastage Rate | |
|---|---|---|
| | Concrete | Steel Reinforcement Bar |
| Bored piling | 25% | 8% |
| Reinforced concrete structural | 6% | 6% |

We update records of concrete and steel bar usage for each project every month, including the volume and amount used and any deviations from the planned amounts. Deviations from acceptable wastage threshold are subsequently highlighted to heads of projects at monthly management meeting.

## E. Material Sustainability Matters (Continued)

### Material Wastage Management (Continued)

During the reporting period, it is found that there is room for improvement for wastage control for a significant number of projects. Closer follow ups are needed on the implementation of corrective action to minimise material wastage to maintain cost-efficiency and sustainability in construction.

### Health and Safety

Health and safety are paramount concerns across various industries, with particular emphasis in the construction sector due to the elevated risks associated with construction sites compared to most other workplaces.

Our commitment to health and safety is underscored by our ISO 45001 certification. This certification reflects our adoption of a risk-based approach to managing occupational health and safety, which has enabled us to proactively address health and safety issues rather than merely reacting to them.

At the group level, all matters related to safety and health fall under the purview of the Quality, Safety, Health, and Environment ("QSHE") Department. This department has the responsibility of promoting awareness of QSHE practices throughout the entire organization and ensuring compliance with relevant regulations and industry best practices. Directly reporting to the Group CEO, the QSHE Department holds ultimate accountability for safety leadership across the entire group. Safety is a recurring and pivotal topic discussed during our monthly management meetings.

Furthermore, each major project has its own Safety, Health, and Environment ("SHE") Committee, typically composed of our QSHE personnel, subcontractor representatives, main contractor representatives, and client representatives. This committee is entrusted with the continuous monitoring, review, and enhancement of SHE-related matters. Notably, there is a growing integration of environmental considerations into our construction management practices.

The Group has achieved approximately 4.4 million man-hours without loss-time injury ("LTI") and maintained zero fatality in the financial year. While there were a few minor accidents documented, none of them had any significant adverse effects on our site operations. All reported incidents underwent thorough review, and precautionary measures were implemented to minimise the likelihood of similar incidents in the future.

We are dedicated to our goal of achieving zero reportable major incidents across all project sites. This commitment extends to subcontractors and suppliers operating within our worksites as well.

The Group remains dedicated to fostering a safe and favorable work environment, prioritising strict compliance with safety regulations. This commitment encompasses various activities, including but not limited to:

- Toolbox meetings
- Emergency drills
- Issuance of non-conformance reports
- SHE awareness campaign
- Safety and emergency response trainings
- Periodic review of safety goals and targets
- Fogging and clearing up water-logged areas

12 emergency drills took place at our project sites in the financial year to determine evacuation capability, identify bottlenecks and risk areas for subsequent resolution.

## E. Material Sustainability Matters (Continued)

**Health and Safety** (Continued)

The Group has earned two 4-star ratings in the Safety and Health Assessment System in Construction ("SHASSIC") conducted by Construction Industry Development Board (CIDB").

| Project Sites | SHASSIC Star Ranking | Score |
|---|---|---|
| Beacon Hospital Extension | ★★★★ | 89% |
| Pavilion Square Kuala Lumpur | ★★★★ | 87% |

The scores signify that a very good occupational safety and health management system is planned and implemented at both sites.

Elevating safety awareness remains a continuous endeavour at Econpile. During the FY2023, a total of 13 safety and health training sessions took place covering the following subjects:

1. Job Safety Analysis Formatting
2. Machinery Inspection
3. Emergency Response Preparedness
4. Basic Occupational First Aid Training
5. Accident Investigation Reporting
6. Lifting and Rigging
7. Ergonomic Awareness
8. Working at Height
9. Scaffold Inspection
10. Noise Risk Assessment Awareness and Procedure
11. Compliance Obligation and Evaluation
12. HSE Manual Awareness
13. HSE Internal Audit, Issuance of Non-Conformance Report

Our construction operations have the potential to generate various undesirable effects, especially in relation to occupational safety and health. Regulatory authorities have the authority to conduct unscheduled inspections of our construction sites to verify our adherence to regulatory compliance. Non-compliance may lead to stop-work orders and potential fines, subsequently impacting our financial performance.

In the reporting period, we have received 13 compounds from local councils and a compound from a utility provider.

All violations identified were promptly resolved.

**Employee Wellbeing**

(i) Diversity and Equal Opportunity

The Group recognises that diversity plays a pivotal role in fostering a supportive work environment for all employees and contributes to improved business outcomes.

At the highest level of the Group, our diverse Board, comprising members from various ethnic backgrounds and genders, leverages this rich pool of knowledge when making intricate decisions for the organisation. Our board is committed to achieving a minimum representation of 30% women directors and recorded a 43% female presence on the Board as at 30 June 2023.

The Group's recruitment practices prioritise competence, experience, and the potential for growth within the organisation. Our decisions regarding recruitment and compensation are based on merit and aligned with the Group's business needs. The Group is committed to a policy of non-discrimination, ensuring that all employees are treated fairly and impartially, regardless of their demographic backgrounds.

In an industry traditionally dominated by men, the Group's workforce continues to reflect this trend. The gender composition of our workforce has remained relatively consistent in recent years. Following the approval of quota for foreign workers by the Human Resources Ministry, the Group has successfully brought in foreign manpower to fulfil our workforce needs in the financial year. Accordingly, the male composition of our overall workforce has increased by 4% compared to last year in line with the employment of foreign male labour.

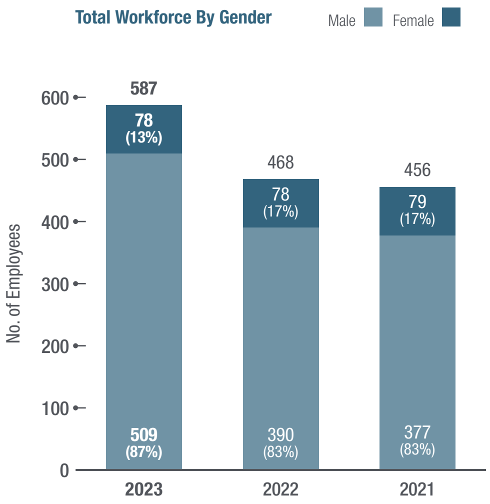
# Sustainability Statement (Continued)

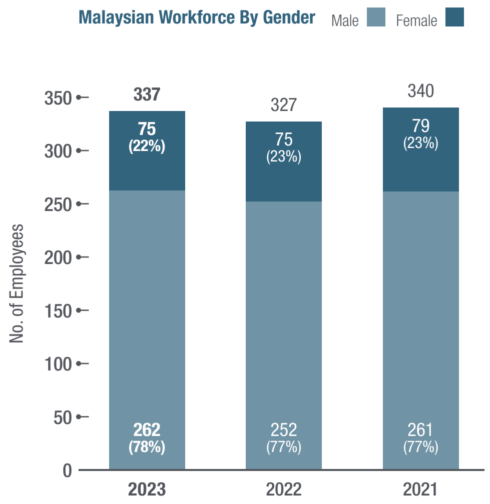
## E. Material Sustainability Matters (Continued)

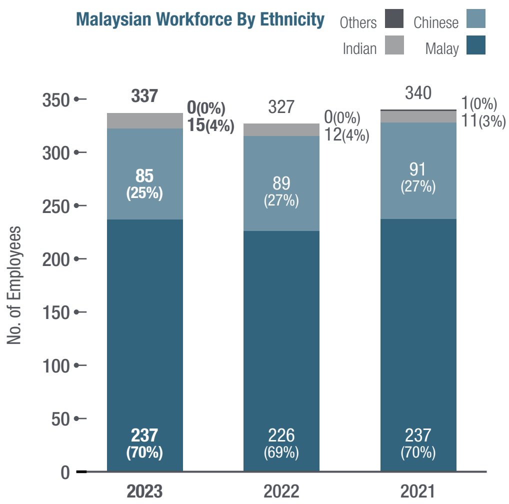
### Employee Wellbeing (Continued)

(i) Diversity and Equal Opportunity (Continued)

The ethnic makeup of our Malaysian workforce aligns with the broader national demographic composition.




The composition of female in our workforce, spanning non-executive, executive, and managerial roles, has remained largely unchanged over the past three years.

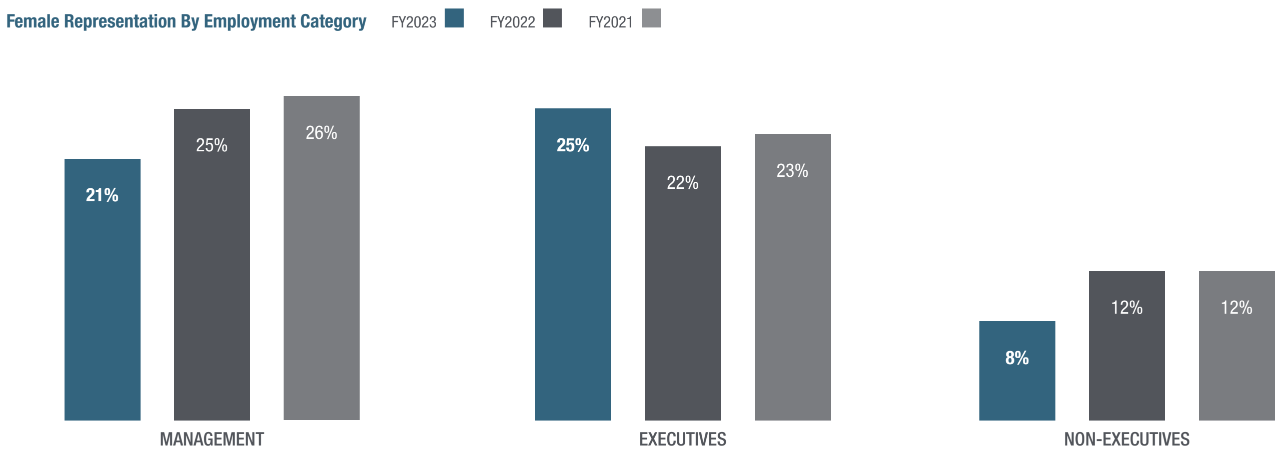
# Sustainability Statement (Continued)

## E. Material Sustainability Matters (Continued)

### Employee Wellbeing (Continued)

(i) Diversity and Equal Opportunity (Continued)

The Group's goal is to achieve a 20% representation of women in management positions, specifically those at the Senior Manager level and above. As of FY2023, women make up 21% of our management team.




Our workforce represents a wide range of age groups. Currently, a significant portion of our team, accounting for 62% of our total workforce, is comprised of individuals who are 40 years of age or younger. This demographic brings a valuable infusion of fresh perspectives, innovative ideas, and vibrant energy to the Group.

(ii) Employees Benefits

To effectively execute our business strategy, it is imperative that the Group can attract and retain skilled employees. In pursuit of this objective, the Group offers competitive compensation packages with employee benefits.

Our compensation and benefit plans comply with legal standards. We extend Group insurance coverage, medical benefits, and various allowances and reimbursements. Employee insurance policies are renewed annually to guarantee sufficient coverage. Additionally, eligible employees receive reimbursement for annual professional membership fees, as applicable and necessary.

(iii) Employee Engagement

The Group fosters an inclusive and transparent culture, exemplified by our open-door policy. We encourage all employees to reach out to the Human Resource Department, Group Managing Director, or Group CEO whenever they face any challenges or have concerns, regardless of when these issues arise.

Our senior management team maintains a consistent and ongoing dialogue with employees at all levels, ensuring that this interaction is a regular and integral part of our daily operations across the entire Group. This commitment to open communication strengthens our collaborative spirit and ensures that the voices and needs of every team member are heard and addressed.

# Sustainability Statement (Continued)

## E. Material Sustainability Matters (Continued)

### Local Communities

We acknowledge our projects can potentially affect the local community at any stage of the project's lifecycle. The Group is fully aware of its responsibility to minimise any negative impacts on the local community in all the areas where it operates. Occasionally, our operations may lead to temporary disruptions for the local community, including reduced amenities for properties due to factors like traffic rerouting, air quality, dust, and noise issues.

The responsibility for managing these effects is decentralised, with each project in different locations handling its respective impact mitigation measures.

We communicate regularly with local municipal authorities and neighbouring residents to address any concerns they have. Upon receiving feedback, we promptly implement corrective measures, which often involve works such as repairing potholes, resolving traffic issues, and fixing cracks and spalls.

Some projects that we have completed such works in the reporting period include Kuchai Sentral Phase 2 in Kuala Lumpur and Integrated entertainment complex in Phnom Penh, Cambodia.

In addition, several monetary donations amounted to RM700,000 in total were made to schools in Kuala Lumpur in FY2023 to help with the upgrading of school facilities.

## F. Looking Ahead

In the upcoming year, we will persist in our endeavours to establish a solid groundwork for more systematic EES initiatives, as well as enhance our monitoring and reporting processes.

We take cognisance of the approaching regulatory disclosure requirements on common sustainability matters and indicators. We will continue to work on incorporating the requirements and recommendations of Bursa Securities' Sustainability Reporting Guide, the Security Commission's MCCG, as well as the enhanced sustainability reporting requirements in the Main Market Listing Requirements recently by Bursa Securities in September 2022, into our sustainability structure.

# Corporate Governance Overview Statement

The Board of Directors ("the Board") of Econpile Holdings Berhad ("the Company") is supportive of the adoption of principles and best practices as set out in the Malaysian Code on Corporate Governance ("MCCG"). The Board is committed to maintain a high standard of corporate governance within the Company and its subsidiaries ("the Group") as to protect and enhance stakeholders' value and the performance of the Group.

The Board is pleased to share the manner how the three key principles of the MCCG have been applied within the Group throughout the financial year ended 30 June 2023 ("FY2023") as well as its key focus area and future priorities in relation to corporate governance practices. The detailed application of each best practice is furnished in further detail in the Corporate Governance Report ("CG Report") which is made available on the Company's website at www.econpile.com as well as the website of Bursa Malaysia Securities Berhad ("Bursa Securities"). Where a specific best practice has not been applied during the financial year, the non-application, including reasons thereof, and the alternative practice adopted, if any, is also mentioned in the CG Report.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### 1. Board Responsibilities

The Board has the overall responsibility for the leadership and control of the Group and is collectively responsible for promoting the long-term success of the Group.

The responsibilities of the Board include reviewing the Group's strategic plans to ensure that shareholders' value is protected and enhanced, overseeing and evaluating the conduct of business of the Group to ensure compliance with legal and regulatory requirements, overseeing the communication and engagement with shareholders and relevant stakeholders, overseeing the Group's business operations and financial performance, identifying the main risks associated with the Group and reviewing the procedures and internal control systems to mitigate the risks and providing input to succession plans for executive and management roles. The key matters reserved for the Board to approve or monitor include but not limited to setting overall Group strategy and direction, approving major corporate plans, approving annual budget (including operating and capital expenditure), approving quarterly and annual financial statements, as well as monitoring risk management and internal control systems of the Group (including financial, operational and compliance controls).

To assist in the discharge of its stewardship role, the Board has established Board Committees, namely Audit & Risk Management Committee ("ARMC"), Nomination Committee ("NC") and Remuneration Committee ("RC"). The Board Committees have the authority to examine issues within their respective Terms of Reference as approved by the Board and report to the Board with their recommendations.

### 2. Board Charter and Policies

The Board Charter is in place and periodically reviewed and updated by the Board to align with best practices. The Board Charter sets out the roles and responsibilities of the Board, Chairman of the Board, Group Managing Director, Group Chief Executive Officer, the Executive and Non-Executive Directors and Company Secretaries, including a formal schedule of matters reserved to the Board. The Board Charter was last reviewed by the Board on 29 August 2023.

To strengthen the standards of corporate governance and corporate behaviour, the Board has formalised a Code of Ethics which is to be observed by all Directors. In addition, the Group has a Code of Conduct that sets out the standards of conduct and responsible behaviour expected of all Directors, Management and officers to promote corporate culture which inculcates ethical conduct. The Code of Conduct and Code of Ethics were last reviewed by the Board on 29 August 2023.

The Board encourages employees and associates to report any ongoing or suspected wrongful activities or wrongdoings at the earliest possible stage through the proper channel of reporting so that immediate action can be taken. The Whistleblowing Policy & Guidelines adopted by the Company provides a structured channel for employees to raise concerns regarding malpractices committed within the Group without fear of reprisal. The ARMC is tasked by the Board to perform the oversight function of the whistleblowing policy.

As part of the Company's commitment against all forms of bribery and corruption, the Board has adopted the Anti-Bribery & Anti-Corruption Policy which sets out rules and guidance to Directors, Senior Management, employees and business associate who work for and/or act for or on behalf of the Group on how to deal with improper solicitation, request for bribes and other corrupt activities and issues that may arise in the course of business. The Management will carry out regular assessment on the policy to ensure that it continues to remain relevant, appropriate and effective.

The Company had also in place a Conflict of Interest Policy on 28 November 2022 to provide guidance in identifying and managing any actual, potential and perceived conflict of interest situations between the employees (including Directors) and the Group.

# Corporate Governance Overview Statement (Continued)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 2. Board Charter and Policies (Continued)

The Directors are aware that they would have to declare their interests in transactions with the Group and abstain from deliberation and voting in respect of such transactions at Board or general meetings convened to consider the matter. The ARMC reviews all related party transactions and conflict of interest situation that arose, persisted or may arise within the Group that may challenge the Group's integrity.

Board Charter and all policies are accessible through the Company's website at www.econpile.com.

### 3. Strategies Promoting Sustainability

The Board understands that corporate sustainability depends on balancing and meeting the needs of the Company's stakeholders in economic, environmental and social areas. A report on the sustainability activities is contained in the Sustainability Statement on pages 14 to 24 of this Annual Report.

### 4. Composition and Balance

During the FY2023, with the support of the NC, the Board has reviewed and made the following changes to the composition of the Board:

(i) Teh Bee Choo has been appointed to the Board as an Independent Non-Executive Director on 3 August 2022;
(ii) Ong Poay Wah @ Chan Poay Wah has stepped down from the Board as a Senior Independent Non-Executive Director on 18 October 2022;
(iii) Dato' Rosli Bin Mohamed Nor has been redesignated from Independent Non-Executive Director to Non-Independent Non-Executive Director on 18 October 2022; and
(iv) Law Siew Ngan has been appointed to the Board as an Independent Non-Executive Director on 18 October 2022.

Subsequent to the financial year end and up to the date of this Statement, further changes have been made to the composition of the Board which comprised of:

(i) Resignation of Dato' Rosli Bin Mohamed Nor as Non-Independent Non-Executive Director on 18 October 2023; and
(ii) Redesignation of Krishnan A/L C K Menon as Non-Independent Non-Executive Chairman from Independent Non-Executive Chairman on 18 October 2023.

Consequently, the Board now has 6 members, comprising 3 Executive Directors, 2 Independent Non-Executive Directors and 1 Non-Independent Non-Executive Director. The composition of the Board fulfils the requirement of Paragraph 15.02(1) of the Listing Requirements. None of the Directors is an active politician.

The profiles of the Directors are presented on pages 10 to 12 of this Annual Report. The Board members have diverse professional and entrepreneurial background, varied skills and experiences for effective oversight of the Group. The Independent Non-Executive Directors provide the necessary check and balance in the Board's deliberation and decision-making.

The Non-Executive Directors have met among themselves without the presence of the Executives Directors during the financial year to review and deliberate on topics surrounding the strategic, governance and operations of the Group. The discussion note was subsequently shared with the Executive Directors.

The Board comprises 3 women directors out of the 6 Board members, which represents 50% of the Board's composition.

The Board recognises the importance of a clear division of responsibility between the Chairman, Group Managing Director and Group Chief Executive Officer to ensure a balance of power and authority. The Board adopts the recommendation of the MCCG that the Chief Executive Officer and Chairman shall not be the same person. The roles and responsibilities of the Chairman, Group Managing Director and Group Chief Executive Officer are distinct, separated and clearly defined, and are held by 2 different individuals. The Group Managing Director is responsible for the running of the affairs of the Company under delegated authority from the Board and to implement the policies and strategies set by the Board whereas the Group Chief Executive Officer is responsible for managing the daily conduct of business, supervision and management of the Company as well as assisting the Group Managing Director in all his responsibilities. Whilst the Chairman of the Board provides leadership role in the conduct of the Board and its relations with the shareholders and stakeholders.

# Corporate Governance Overview Statement (Continued)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 5. Reinforced Independence

The Board is satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their abilities to act in the best interest of the Group. All Independent Non-Executive Directors are independent of management and are free from any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the exercise of their unfettered and independent judgment. There is a clear separation of powers between the Chairman, who is a Non-Executive Director and the Group Managing Director, which further enhances the independence of the Board.

In accordance with the Board Charter, the tenure of an Independent Director shall not exceed a cumulative term of 9 years. In the event the Independent Director continues to serve the Board after serving for 9 years, the Board should provide justification and seek annual shareholders' approval through a two-tier voting process or the said Independent Director will be re-designated as Non-Independent Director.

Krishnan A/L C K Menon, having served as an Independent Non-Executive Chairman for a cumulative term of more than 9 years of the Company, has been redesignated as Non-Independent Non-Executive Chairman on 18 October 2023.

### 6. Board Meeting and Time Commitment

The Board is aware of the time commitment expected from them to attend to matters of the Group. An annual meeting calendar is planned and agreed by the Directors. The Board meets on a quarterly basis with additional meetings being convened as and when necessary to, inter alia, approve annual business plans and budgets, operational and financial performance reports, investments and capital expenditures and quarterly reports. The Board is satisfied with the level of time commitment given by the Directors in discharging their duties for FY2023.

During the financial year, the Company held 6 Board meetings and the details of attendance of each Board members are as follows:

| Name of Director | Designation | Meeting Attendance |
|---|---|---|
| Krishnan A/L C K Menon | Non-Independent Non-Executive Chairman (redesignated from Independent Chairman to Non-Independent Chairman on 18 October 2023) | 6/6 |
| Teh Bee Choo | Independent Non-Executive Director (appointed on 3 August 2022) | 5/5 |
| Law Siew Ngan | Independent Non-Executive Director (appointed on 18 October 2022) | 3/3 |
| The Cheng Eng | Group Managing Director | 6/6 |
| Pang Sar | Executive Director and Group Chief Executive Officer | 6/6 |
| The Kun Ann | Executive Director and Deputy Group Chief Executive Officer | 6/6 |
| Dato' Rosli Bin Mohamed Nor | Non-Independent Non-Executive Director (redesignated from Independent Director to Non-Independent Director on 18 October 2022; resigned on 18 October 2023) | 6/6 |
| Ong Poay Wah @ Chan Poay Wah | Senior Independent Non-Executive Director (resigned on 18 October 2022) | 3/3 |

The Board has provided its commitment to the Company as evidenced by the attendance of Directors at Board meetings.

During these meetings, the Board deliberated and considered a variety of matters including the Group's corporate developments and financial results.

### 7. Supply and Access to Information and Advice

The Board has full and unrestricted access to any information pertaining to the Group. The Board and Board Committees members are provided with agenda of meetings and meeting papers which contain management and financial information and other matters to be discussed. Sufficient time is given prior to every Board and Board Committees meetings to enable them to obtain further explanation, where necessary in order to be properly informed before the meeting. The Board also has direct communication channels with the Internal and External Auditors, and the Management and ability to convene meetings with the External Auditors whenever deemed necessary to enable them to discharge their duties.

The Directors, collectively or individually, may seek independent professional advice to fulfill their responsibilities at the expense of the Group.

# Corporate Governance Overview Statement (Continued)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

## 8. Qualified and Competent Company Secretaries

The Company has engaged external qualified company secretaries from Tricor Corporate Services Sdn. Bhd. The Company Secretaries are Associate members of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) and qualified to act under Section 235(2)(a) of the Companies Act 2016. The Company Secretaries attend all Board and Board Committees meetings including general meeting and ensure the meetings are properly convened and all deliberations and decisions made by the Board are accurately minuted, recorded and kept.

The Company Secretaries continuously attend relevant development and training programmes to keep themselves abreast with the regulatory changes and corporate governance development.

## 9. Appointment to the Board

The Board has a fit and proper policy for the appointment and re-election of directors of the Group accessible at the Company's website at www.econpile.com. This policy outlines the fit and proper criteria that are required of the candidates based on character and integrity, experience and competence, and time and commitment. The Board and the NC shall conduct the fit and proper assessment prior to the appointment of any candidate as Director, or making recommendation for the re-election of retiring director.

The NC is responsible to identify candidates to the Board if vacancy arises or if there is a need to appoint additional directors to strengthen the composition of the Board. The NC may identify candidates through recommendation from directors, senior management, major shareholders, and other independent sources such as executive search firms. Upon receipt of the proposal, the NC is responsible to conduct assessment and evaluation on the proposed candidate.

For identification and recommendation of new Directors, due consideration shall be given to:

(a) the candidates' skills, knowledge, expertise and experience, professionalism, character, integrity, reputation, competence, commitment (including time commitment) to effectively discharge his/her role as a Director;
(b) merit and against objective criteria with due regard for the benefits of boardroom diversity, including gender, age, ethnicity and cultural background, experience, skill, character, integrity and competence; and,
(c) in the case of candidates for the position of Independent Directors, the NC shall also evaluate the candidates' ability to discharge such responsibilities/functions as are expected from Independent Directors.

Following the NC's initial review of a candidate's qualifications and legal and background checks on the proposed candidate, the evaluation process may include, at the NC's discretion, subsequent interviews with the Chairman of the Board, Board members and/or the Company's senior management.

Upon completion of evaluation of the proposed candidate, the NC would make its recommendation to the Board. Based on the recommendation of the NC, the Board would evaluate and decide on the appointment of the proposed candidate. The Chairman of the Board would then make an invitation or offer to the proposed candidate to join the Board as a director. With the acceptance of the offer, the candidate would be appointed as director of the Company.

2 Independent Non-Executive Directors were appointed to the Board of the Company on 3 August 2022 and 18 October 2022 respectively. The appointments of both Independent Non-Executive Directors, namely Teh Bee Choo and Law Siew Ngan were sourced through the business network of Board members. The NC had assessed the suitability of Teh Bee Choo and Law Siew Ngan including their independence before recommending them for appointment to the Board as Independent Non-Executive Directors. Among the proposed candidates, some of which were sourced through independent sources, the Board opined that the newly appointed Directors have the most appropriate skills, knowledge and experience and will be able to contribute positively to the Board.

# Corporate Governance Overview Statement (Continued)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 10. Re-election of Directors

In accordance with the Company's Constitution, one-third of the Directors for the time being shall retire by rotation at each Annual General Meeting ("AGM") at least once in every 3 years but shall be eligible for re-election. The Company's Constitution further provides that all newly appointed Directors shall retire from office but shall be eligible for re-election in the next AGM subsequent to their appointment. The NC will, upon the review and evaluation of the Directors' performance and contribution to the Board together with their fit and proper declaration, if satisfactory, submit its recommendation to the Board for approval before tabling the same to the shareholders for approval at the AGM.

The Company Secretaries have the responsibility of ensuring that relevant procedures relating to the appointment of new directors are properly executed.

The Directors who are seeking for re-election at the forthcoming AGM are The Cheng Eng and Pang Sar. The retiring Directors have expressed their intention to seek re-election at the forthcoming AGM.

### 11. Board Committees

The Board has established the ARMC, NC and RC, with respective Terms of Reference, to assist it in discharging its responsibilities.

During the FY2023, with the support of the NC, the Board has reviewed and made the following changes to the composition of the Board Committees having considered diversity and other best practices under the MCCG:

(i) Ong Poay Wah @ Chan Poay Wah, has stepped down from all Board Committees on 18 October 2022 in conjunction with her resignation as a member of the Board;
(ii) Teh Bee Choo has been appointed as a member to all Board Committees on 3 August 2022 in conjunction with her appointment to the Board. She has been redesignated as the Chairperson of the ARMC on 18 October 2022;
(iii) Dato' Rosli Bin Mohamed Nor has been redesignated as Non-Independent Non-Executive Director on 18 October 2022 and consequently, redesignated as a member of the ARMC and RC, from chairman position the same day; and,
(iv) Law Siew Ngan has been appointed as the Independent Non-Executive Director on 18 October 2022 and assumed the role as the Chairperson of the NC and RC and a member of the ARMC on the same day.

Subsequent to the financial year end and up to the date of this Statement, Dato' Rosli Bin Mohamed Nor has stepped down from all Board Committees on 18 October 2023 in conjunction with his resignation as a member of the Board.

Consequently, the composition of the Board Committees is as follows:

Audit & Risk Management Committee

| | |
|---|---|
| Chairperson | Teh Bee Choo (Independent Non-Executive Director) |
| Member | Law Siew Ngan (Independent Non-Executive Director) |

Nomination Committee

| | |
|---|---|
| Chairperson | Law Siew Ngan (Independent Non-Executive Director) |
| Member | Teh Bee Choo (Independent Non-Executive Director) |

Remuneration Committee

| | |
|---|---|
| Chairperson | Law Siew Ngan (Independent Non-Executive Director) |
| Member | Teh Bee Choo (Independent Non-Executive Director) |

Following the cessation of Dato' Rosli Bin Mohamed Nor as a member of the ARMC effective 18 October 2023 in conjunction with his resignation as a director of the Company, the composition of the ARMC does not comply with Paragraph 15.09(1)(a) of the Listing Requirements. The Company will source for potential candidate to fill the vacancy within 3 months from the date of cessation of office on 18 October 2023 in accordance with Paragraph 15.19 of the Listing Requirements.

# Corporate Governance Overview Statement (Continued)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 11. Board Committees (Continued)

Similarly, the current composition the NC and RC has been reduced to below 3 members with the cessation of Dato' Rosli Bin Mohamed Nor as a member of the NC and RC. Pursuant to the Terms of Reference of the NC and RC, the Board will endeavour to fill the vacancies in both committees within 3 months from 18 October 2023.

All Board Committees comprise entirely Non-Executive Directors with a majority of Independent Directors and are chaired by Independent Directors. The Chairman of the Board does not sit on any Board Committees.

(a) Audit & Risk Management Committee

The ARMC was established to assist the Board in fulfilling its responsibilities relating to financial reporting, conflict of interest and related party transactions, and risk management and internal control. The Terms of Reference of the ARMC is accessible at the Company's website at www.econpile.com and further details on the ARMC and its activities are contained in the ARMC Report on pages 44 to 46 of this Annual Report.

(b) Nomination Committee

The NC assists the Board in nominating new directors, reviewing the composition and size of the Board, and assessing the effectiveness of the Board as a whole, Board Committees and the contribution of each Director. The Terms of Reference of the NC is available on the Company's website at www.econpile.com.

Meetings of the NC are held as and when necessary, and at least once a year. The NC met four (4) times during FY2023. All members registered full attendance.

The NC carried out the following activities during the FY2023:

(i) reviewed and recommended the appointments of 2 Independent Non-Executive Directors to the board;
(ii) reviewed and recommended the redesignation of an Independent Director to Non-Independent Director to the Board;
(iii) reviewed the composition of the Board and Board Committees;
(iv) reviewed the succession plan for the Group Managing Director and Group Chief Executive Officer and recommended the appointment of Deputy Group Chief Executive Officer and Chief Operating Officer ("COO");
(v) reviewed the required mix of skills and experience and core competencies of the Board;
(vi) assessed the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director and thereafter, recommended the findings to the Board;
(vii) reviewed the independence of the Independent Directors;
(viii) reviewed the terms of office and performance of the ARMC and each of its members;
(ix) reviewed the effectiveness of the Company Secretary;
(x) reviewed and recommended to the Board the re-election of Directors; and
(xi) reviewed the trainings attended by each Director.

The performance assessments of the Board, Board Committees and individual Directors were conducted in-house via self-assessment questionnaires. Each Director was required to complete a set of questionnaires and the aggregate responses were tabled to and reviewed by the NC.

The assessment criteria for Board performance evaluation includes but not limited to board composition, board processes, board independence and interaction with management.

For the Board Committees, the assessment criteria among others are membership and composition of committees, the ability of the committees in assisting the Board in its oversight responsibilities and their interaction with management.

For contribution of each Director, the assessment criteria include but not limited to integrity, strategic perspectives, commitment, communication ability and value-adding contribution.

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 11. Board Committees (Continued)

(b) Nomination Committee (Continued)

As for independent directors, the assessment of their independence is based on criteria such as their tenure, their involvement in transactions with the Company and their relationship with the Company and substantial shareholders of the Company.

The 2 Independent Non-Executive Directors are independent and fulfilled the definition of "independence" as set out in the Listing Requirements. The breakdown of the Board by gender, age and ethnicity is as follows:

| | As at 30 June 2023 | As at the date of this Statement |
|---|---|---|
| **Gender** | | |
| Male | 4 | 3 |
| Female | 3 | 3 |
| **Age** | | |
| 30 to 50 | 1 | 1 |
| Above 50 | 6 | 5 |
| **Ethnicity (Malaysian)** | | |
| Malay | 1 | 0 |
| Chinese | 5 | 5 |
| Indian | 1 | 1 |

The Company has a Board Diversity Policy with the objective to ensure that the Board has the diversity of perspectives, experience and skills necessary for effective oversight of the Group. Diversity includes, but is not limited to gender, age and ethnicity. The Board is committed to maintain at least 30% of women representation on the Board, whilst ensuring that diversity in age and ethnicity remains a feature of the Board. The NC is delegated with the overall responsibility for implementation, monitoring and periodic review of the Board Diversity Policy.

The Board, through the NC's annual appraisal, concluded that the Board has the right mix of backgrounds, skills and experiences to discharge its duties effectively.

The NC had on 29 August 2023 reviewed the term of office and performance of the ARMC and each of its members to determine whether the ARMC and its members have carried out their duties in accordance with its Terms of Reference. The Directors' responses were collated by the Management and a summary of the findings was presented to the NC for deliberation. The NC was satisfied with the performance of the Board and Board Committees as a whole, as well as the contribution of each Director.

The NC also reviewed the results of the assessment and evaluation of the Directors who are due for retirement at the 11th AGM, taking into consideration their fit and properness, skill sets, experience, professional qualifications, core competencies, other qualities, contribution to the Company and time commitment, and had recommended to the Board to table their re-election at the 11th AGM.

Based on the report of the NC, the Board is of the view that the current size and composition is well-balanced and fairly reflects the interest of minority shareholders within the Group. In view thereof, the Board will be seeking shareholders' approval to re-elect The Cheng Eng and Pang Sar as Directors at the 11th AGM.

In addition, the NC had reviewed the results of the assessment of the effectiveness of the Company Secretary and was satisfied with the performance of the Company Secretary.

# Corporate Governance Overview Statement (Continued)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 11. Board Committees (Continued)

(c) Remuneration Committee

The RC assists the Board in establishing remuneration for Executive Directors, Non-Executive Directors and key senior management.

Meetings of the RC are held as and when necessary, and at least once a year. The RC met twice during the FY2023 and all the members registered full attendance.

The RC reviews the Directors' fees and Directors' benefits, considers the payment of bonus for Executive Directors and key senior management and reviews the remuneration packages of Executive Directors and key senior management on an annual basis and makes recommendation to the Board. The Board as a whole determines the Directors' fees and benefits and remuneration of the Executive Directors with each individual Director abstaining from decision in respect of their own fees, benefits or remuneration.

The Company has adopted a Remuneration Policy which sets out the remuneration principles and guidelines for the Board and key senior management of the Company. The Remuneration Policy aims to attract, motivate and retain qualified Directors and key senior management. The remuneration of Executive Directors and key senior management is made up of fixed component (i.e. basic salary) and variable remuneration components (i.e. annual performance bonus and other benefits). The total reward package takes into account both individual and corporate performance.

For Non-Executive Directors, their remuneration consists of directors' fees and meeting allowances. To compensate for additional responsibility, the Chairmen of the Board and Board Committees are compensated at levels higher than other members. Different levels of fees are also paid in respect of the different Board Committees, based on the complexity and amount of preparation and level of responsibility required.

The Terms of Reference of the RC and the Remuneration Policy are accessible through the Company's website at www.econpile.com.

### 12. Directors' Training

The Directors have attended various development and training programmes according to their individual needs to keep abreast with developments in the marketplace and to further enhance their business acumen and professionalism in discharging their duties to the Group.

The seminars and training courses attended by the Directors during the financial year under review are as follows:

| Name | Training/Course/Conference Title | Organised by |
|---|---|---|
| Krishnan A/L C K Menon | HHQ & HLP Inaugural Joint Conference<br>Session 1: Tax Issues in Real Estate and Construction<br>Session 2: Dissecting the Amendments to the Employment Act<br>Session 3: Project Ready for Delivery: Challenges Faced by Developer | Halim Hong & Quek and Harold & Lam Partnership |
| | ESG Conference: Embracing ESG as a Corporate Objective in Malaysia | Wong & Partners |
| | Bursa Malaysia Immersive Session: The Board "Agender" | Bursa Malaysia and LeadWomen |
| | #digital4ESG Forum: Exploring the Intersection of Digitalisation and ESG | Bursa Malaysia |
| | Anti-Bribery and Anti-Corruption (Introductory Course) | Scicom (MSC) Berhad |
| The Cheng Eng | Reconnect, Reimagine, Reinvent in the Future with Bauer Conference | Bauer Equipment Malaysia |
| | Seminar on Slurry Solution for Construction Underground Permanent Structures & Foundation Technology: A Sneak Peek into the Future | Master Builders Association Malaysia |
| | International Trade Fair for Construction Machinery, Building Material Machines, Mining Machines, Construction Vehicles and Construction Equipment (BAUMA MUNICH 2022) | Munich International Trade Fairs |
| Pang Sar | Reconnect, Reimagine, Reinvent in the Future with Bauer Conference | Bauer Equipment Malaysia |

# Corporate Governance Overview Statement (Continued)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 12. Directors' Training (Continued)

| Name | Training/Course/Conference Title | Organised by |
|---|---|---|
| The Kun Ann | Reconnect, Reimagine, Reinvent in the Future with Bauer Conference | Bauer Equipment Malaysia |
| | Seminar on Slurry Solution for Construction Underground Permanent Structures & Foundation Technology: A Sneak Peek into the Future | Master Builders Association Malaysia |
| | HHQ & HLP Inaugural Joint Conference<br>Session 1: Tax Issues in Real Estate and Construction<br>Session 2: Dissecting the Amendments to the Employment Act<br>Session 3: Project Ready for Delivery: Challenges Faced by Developer | Halim Hong & Quek and Harold & Lam Partnership |
| | Understanding the Requirements in Bursa's Enhanced Sustainability Reporting Framework | KPMG Board Leadership Centre |
| | ESG Conference: Embracing ESG as a Corporate Objective in Malaysia | Wong & Partners |
| Teh Bee Choo | Understanding Requirements of BNM & SSM on Beneficial Ownership of Legal Persons | Malaysian Institute of Accountants |
| | HHQ & HLP Inaugural Joint Conference<br>Session 1: Tax Issues in Real Estate and Construction<br>Session 2: Dissecting the Amendments to the Employment Act<br>Session 3: Project Ready for Delivery: Challenges Faced by Developer | Halim Hong & Quek and Harold & Lam Partnership |
| | Bursa Malaysia Mandatory Accreditation Programme | Institute of Corporate Directors Malaysia |
| | Taxation on Foreign Source Income | Grant Thornton Malaysia |
| | Tax Seminar on Budget 2023 | Grant Thornton Malaysia |
| Law Siew Ngan | Bursa Malaysia Mandatory Accreditation Programme | Institute of Corporate Directors Malaysia |
| | Bursa Malaysia Immersive Session: The Board "Agender" | Bursa Malaysia and LeadWomen |
| | Demystifying ESG - Manufacturing Ecosystems & Cloud ERP | Teibto & Oracle Netsuite |
| | The Talent Magnet - How to Build a Thriving Workforce & Attract the Best | The Star & Linkedin Talent Solution |
| | ESG Conference: Embracing ESG as a Corporate Objective in Malaysia | Wong & Partners |
| | #digital4ESG Forum: Exploring the Intersection of Digitalisation and ESG | Bursa Malaysia |
| Dato' Rosli Bin Mohamed Nor | Workshop on Integrated Reporting with Special Focus Areas | Malaysian Institute of Accountants |

There were also briefings presented by the Internal and External Auditors and the Company Secretaries on the relevant updates on statutory and regulatory requirements from time to time during the Board meetings and Board Committees meetings.

### 13. Directors' and Key Senior Management's Remuneration

The RC is principally responsible for recommending to the Board the remuneration package of the Executive Directors and key senior management. The level of remuneration reflects the experience and level of responsibilities undertaken by the Executive Directors and key senior management. The remuneration package offered to the Executive Directors and key senior management as well as fees payable to Non-Executive Directors are the responsibility of the entire Board. The individual Directors are required to abstain from discussion on their own remuneration and fees. In addition, the Directors who are shareholders of the Company will abstain from voting on the resolution at general meetings to approve their own fees.

# Corporate Governance Overview Statement (Continued)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 13. Directors' and Key Senior Management's Remuneration (Continued)

Fees and benefits payable to the Directors of the Company are subject to yearly approval by shareholders at the AGM. The breakdown of the Directors' remuneration paid in the FY2023 is as follows:

| | Fees (RM) | Salaries (RM) | Other emoluments* (RM) | Benefits-in-kind (RM) | Total (RM) |
|---|---|---|---|---|---|
| **On Company basis** | | | | | |
| *Executive Directors* | | | | | |
| The Cheng Eng | - | 120,000 | 8,638 | - | 128,638 |
| Pang Sar | - | 120,000 | 8,638 | - | 128,638 |
| The Kun Ann | - | 36,000 | 8,819 | - | 44,819 |
| *Non-Executive Directors* | | | | | |
| Krishnan A/L C K Menon | 77,000 | - | 5,500 | - | 82,500 |
| Teh Bee Choo (appointed on 3 August 2022) | 51,799 | - | 7,500 | - | 59,299 |
| Law Siew Ngan (appointed on 18 October 2022) | 41,414 | - | 4,000 | - | 45,414 |
| Dato' Rosli bin Mohamed Nor (resigned on 18 October 2023) | 53,875 | - | 9,000 | - | 62,875 |
| Ong Poay Wah @ Chan Poay Wah (resigned on 18 October 2022) | 16,245 | - | 5,000 | - | 21,245 |
| **On Group basis** | | | | | |
| *Executive Directors* | | | | | |
| The Cheng Eng | - | 741,000 | 88,016 | 22,700 | 851,716 |
| Pang Sar | - | 741,000 | 88,016 | 22,700 | 851,716 |
| The Kun Ann | - | 320,800 | 98,681 | 9,900 | 429,381 |
| *Non-Executive Directors* | | | | | |
| Krishnan A/L C K Menon | 77,000 | - | 5,500 | - | 82,500 |
| Teh Bee Choo (appointed on 3 August 2022) | 51,799 | - | 7,500 | - | 59,299 |
| Law Siew Ngan (appointed on 18 October 2022) | 41,414 | - | 4,000 | - | 45,414 |
| Dato' Rosli bin Mohamed Nor (resigned on 18 October 2023) | 53,875 | - | 9,000 | - | 62,875 |
| Ong Poay Wah @ Chan Poay Wah (resigned on 18 October 2022) | 16,245 | - | 5,000 | - | 21,245 |

* Other emoluments include bonuses, allowances, contributions to the Employees Provident Fund and Social Security Organisation.

In addition to the remuneration package, Directors also have the benefit of Directors' & Officers' Liability Insurance to ensure that they are adequately covered against liabilities in the course of performing their professional duties.

# Corporate Governance Overview Statement (Continued)

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (Continued)

### 13. Directors' and Key Senior Management's Remuneration (Continued)

The core group of senior management currently consists of 7 individuals, i.e. Executive Directors, a COO, a Senior General Manager (Contracts), a Senior General Manager (Projects) and a Deputy Senior General Manager (Finance). The remuneration of the COO, Senior General Managers and Deputy Senior General Manager are not disclosed on named basis. The Board is of the view that such disclosure may contribute to talent retention issues as employee poaching is a common phenomenon in the construction industry and is not in the best interest of the Group.

The Board believes that the transparency and accountability aspects of the MCCG on disclosure of the remuneration of senior management are appropriately served by the disclosures in bands of RM50,000 as follows:

| Range of Remuneration | Number of COO, Senior General Manager and Deputy Senior General Manager in core group of senior management |
|---|---|
| RM250,001-RM300,000 | 1 |
| RM300,001-RM350,000 | 1 |
| RM350,001-RM400,000 | 1 |
| RM500,001-RM550,000 | 1 |

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### 1. Financial Reporting

The Board aims to present a balanced, clear and comprehensive assessment of the Group's financial position and performance primarily through its annual reports, quarterly interim financial results and press releases. In the process of preparing financial information, the Board, with the assistance of the ARMC, reviewed the accounting policies and practices to ensure that they are consistently applied throughout the financial year. In cases where judgment and estimates were made, they were based on reasonableness and prudence.

### 2. Risk Management and Internal Control

Recognising the importance of risk management, a risk register is in place to identify, evaluate and manage the significant risks of the Group on an ongoing basis. The risks were identified through a series of validation meetings conducted by a professional service firm with the key management personnel to assess the key risks relating to the respective areas of management. All identified key risks were rated and prioritised in terms of likelihood of the risk occurring and its impact should the risk occur. Following the risk assessment exercise undertaken by the internal audit function during financial year ended 30 June 2022, the risk profile of the Group was updated in August 2022 to reflect the current environment and operations. The top five risks identified are (i) project delay, (ii) project cost overrun; (iii) fluctuation of material prices; (iv) liquidity risk; and (v) shortage of skilled workers.

All identified controllable risks were monitored and appropriately managed through existing internal controls by the Group throughout the financial year under review. The key features of the risk management framework are set out on pages 39 to 40 in the Statement on Risk Management and Internal Control of this Annual Report. The internal audit function is outsourced to an external professional internal audit service provider, Tricor Axcelasia Sdn. Bhd. The scope of work covered by the internal audit function during the financial year under review is provided in the ARMC Report set out on pages 39 to 41 of this Annual Report.

# Corporate Governance Overview Statement (Continued)

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Continued)

### 3. Relationship with External Auditors

The Group has established a formal and transparent arrangement with the External Auditors to meet their professional requirements through the ARMC. The External Auditors attended 3 out of 5 scheduled meetings of the ARMC in FY2023. The term of service of the External Auditors is renewable every year subject to satisfactory performance.

An External Auditors' Assessment Policy is in place which outlines the guidelines and procedures for the ARMC to assess and review the performance, suitability and independence of the External Auditors. The ARMC reviews the appointment, performance and remuneration of the External Auditors before recommending to the Board and to the shareholders for re-appointment at the AGM. The ARMC has a policy whereby a former audit partner shall observe a cooling-off period of at least 3 years before being appointed as a member of the ARMC.

The ARMC also convenes meetings with the External Auditors without the presence of the Executive Directors and Management whenever it deems necessary. The External Auditors report directly to the ARMC.

Having assessed the External Auditors, the ARMC is satisfied with the competency, independence, experience and resources required to fulfil their duties effectively as the External Auditors of the Company. The External Auditors have also confirmed their independence in accordance with their firm's policies prior to the commencement of audit. In addition, the audit partner responsible for the audit of the Company is subject to a seven-year rotation in accordance with the By-Laws of the Malaysian Institute of Accountants to ensure independence of external auditors.

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### 1. Corporate Disclosure Policy, Investors Relations and Shareholders Communication

The Group recognises the importance of effective and timely communication with shareholders and investors to keep them informed on the Group's latest business and corporate developments. Such information is disseminated via the Group's annual reports, quarterly financial results and through various disclosures via the Company's website at www.econpile.com as well as the official website of Bursa Securities. In addition, the Group also engages in regular dialogues with institutional investors, fund managers and analysts. At general meetings, the Board encourages shareholders' participation and responds to their questions. Shareholders can also leave written questions for the Board to respond. The primary contact for investors relations matters is:

Ms. The Kun Ann
Deputy Group CEO
Tel: 603-9171 9999
E-mail: ir@econpile.com.my

During the FY2023, the Group had meetings with investors to share the latest updates and pertinent information on the Group's progress with the investment community. Senior management was involved in investor meetings to update on financial results as well as to impart broad insights on the Group's strategic directions.

The Company has in place the Corporate Disclosure Policies and Procedures which provides guidance for disclosure of material information in accordance with the Listing Requirements.

# Corporate Governance Overview Statement (Continued)

## PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Continued)

### 2. Annual General Meeting

The AGM is the principal forum for dialogue with shareholders and investors, where they may seek clarification on the Group's performance, major developments of the Group as well as on the resolutions being proposed. Members of the Board as well as the External Auditors and the Company Secretaries are present to answer questions raised.

The notice of the AGM together with the Annual Report are despatched to shareholders at least 28 days before the meeting. Sufficient notice period is given to the shareholders in order for them to schedule their time to attend the Company's AGM. The Notice of AGM contains information such as the date, time and venue of the AGM, the shareholders' rights to appoint a proxy and details of the resolutions that will be tabled at the AGM. The resolutions set out in the Notice will be voted by poll and an independent scrutineer will be appointed to validate the votes.

The Company has held its AGM virtually since 2020 in view of the outbreak of the COVID-19 pandemic. The 10$^{th}$ AGM was conducted virtually via the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn. Bhd. ("TIIH") via its TIIH Online website at https://tiih.online. The RPV facilities provided by TIIH is subject to the Personal Data Protection Policy. Necessary security measures have been taken by TIIH to prevent cyber threats.

Administrative guide was issued to assist shareholders on the registration, participation and voting using the RPV facilities. The administrative guide was also published in the Company's website at www.econpile.com to encourage shareholders' participation.

The shareholders were able to raise questions prior to the 10$^{th}$ AGM via TIIH Online website and the questions received were addressed by the Board at the AGM. At the 10$^{th}$ AGM, the Company has also addressed as many live questions as possible from the shareholders, within the allocated timeframe. All questions received in advance and those posed real time during the AGM were made visible to all the meeting participants.

All resolutions set out in the Notice of 10$^{th}$ AGM were voted remotely using the RPV facilities.

The outcome of 10$^{th}$ AGM was announced to Bursa Securities on the same day of the meeting. The minutes of the 10$^{th}$ AGM including the Company's responses to questions raised at the meeting was published on the Company's website at www.econpile.com within 30 business days after the 10$^{th}$ AGM.

The Company will be conducting its 11$^{th}$ AGM virtually via the RPV facilities, allowing attendance of shareholders and proxy holders via remote participation and voting in absentia.

## KEY FOCUS AREA IN RELATION TO CORPORATE GOVERNANCE PRACTICES

Succession Plan for Independent Directors

The Chairman of the Board, Krishnan A/L C K Menon, has reached the nine-year term limit on 20 February 2023 and has been redesignated as Non-Independent Non-Executive Chairman on 18 October 2023 from Independent Director in line with the best practice as set out in the MCCG.

Dato' Rosli Bin Mohamed Nor had on 18 October 2023 ceased to be a member of the ARMC following his resignation as a Director of the Company on even date. As such, the current composition of the ARMC does not comply with Paragraph 15.09(1)(a) of the Listing Requirements. The Company will source for potential candidate to fill the vacancy within 3 months from the date of cessation of office on 18 October 2023 in accordance with Paragraph 15.19 of the Listing Requirements.

# Corporate Governance Overview Statement (Continued)

## PRIORITIES FOR THE FINANCIAL YEAR ENDING 30 JUNE 2024

Project Risk Management

Preliminary findings have indicated that the extraordinary loss incurred by a certain project was due to not only external factors but also internal operational issues.

Fulfilling its oversight responsibilities in this area, the Board would ensure key causes of lapses in project management are identified and deliberated thereby assisting the Management to integrate the lessons learned from the concerned project into the Group's internal control processes.

Liquidity Risk Management

Continuing from last year, cash flow management remains a priority focus area as the Group's customers gradually recover from the damaging impact of the Covid-19 pandemic.

The Board would continue to assess sources of liquidity risk, such as cash flow projections, access to financing and potential payment default, to safeguard the Group against liquidity mismatches that could threaten its financial stability.

Succession Plan for Key Senior Management

The following changes were made on 1 June 2023 as part of the Group's succession and management transition plan:

1. Appointment of The Kun Ann as Deputy Group CEO

2. Appointment of Amrick Singh A/L Atar Singh as COO for Econpile (M) Sdn Bhd

They have been assessed by the Management as fit for their new positions and having the potential to be developed to provide top leadership for the Group. The Board would strive to keep succession planning a high priority for key managerial roles and ensure that only qualified personnel with necessary skills are appointed to the Board and key management position of the Company.

Environmental, Social and Governance ("ESG")

As ESG grows as a new business imperative across all industries, the Board would endeavour to continue to increase its focus towards incorporating ESG aspect into the Group's operations and long-term development goals.

This Corporate Governance Overview Statement was approved by the Board on 18 October 2023.

# Statement on Risk Management and Internal Control

## INTRODUCTION

The Board of Directors ("Board") is pleased to present its Statement on Risk Management and Internal Control ("the Statement") for the financial year ended 30 June 2023, which has been prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("the Guidelines"). This statement outlines the nature and state of the risk management and internal control of the Group during the financial year. The Companies Act 2016 and the Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal controls to safeguard shareholders' investment and the Group's assets.

## BOARD'S RESPONSIBILITIES

The Board recognises its overall responsibility for maintaining a sound system of risk management and internal control and the need to regularly review its adequacy and effectiveness. Such system covers not only financial controls but also operational and compliance controls.

In view of the limitations that are inherent in any system of risk management and internal controls, such a system put into effect by the senior management is designed to manage rather than eliminate risks that may impede the achievement of the Group's business strategies and objectives.

Therefore, such a system can only provide reasonable but not absolute assurance against any material misstatement or loss.

## RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Whilst the Board maintains ultimate control over risk and control issues, it has delegated to the Audit & Risk Management Committee ("ARMC") to oversee the implementation of the system of risk management and internal control within established parameters and framework.

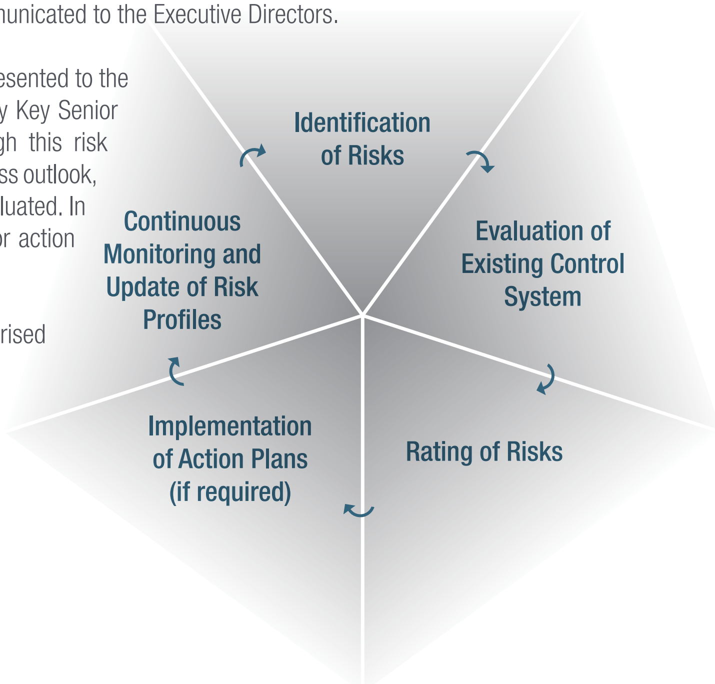
## RISK MANAGEMENT FRAMEWORK

The Group adopted the COSO-ERM Integrated Framework, a worldwide recognised comprehensive framework advocated by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") as the Group's framework in managing the Enterprise Risk Management of the Group.

The key risks relating to the Group's strategic matters are discussed at the ARMC and Board meetings. The responsibility for identifying and managing the risks of each department lies with the respective Heads of Department. During the routine management meetings where significant risks of each department are identified and the corresponding internal controls implemented are communicated to the Executive Directors.

The risk register is updated once every two years and the last update was presented to the ARMC and the Board on 29 August 2022. The risk register was updated by Key Senior Management, with the assistance of a professional services firm. Through this risk assessment update, which took into consideration of the economic and business outlook, risks were identified, assessed and rated, and existing risks were also re-evaluated. In addition, Key Senior Management has also identified mitigating measures or action plans to be implemented to reduce the potential impact from these key risks.

The risk management process adopted in updating the risk register is summarised as depicted on the right:



# Statement on Risk Management and Internal Control (Continued)

## RISK MANAGEMENT FRAMEWORK (Continued)

The key elements of risk management process are as follows:

- Identify key risks associated with the Group's Mission and Vision, based on a list of sources of risks;
- Identify the existing controls that manage the identified risks;
- Confirm ownership and timelines for managing and monitoring the identified risks;
- Rate the identified risks in terms of likelihood of occurrence and the resulting impact on the organisation. The rating takes into account the effectiveness of the existing controls put in place to manage the risks;
- Decide on the risk treatment and develop risk response to manage residual risks (if any); and,
- Continuous monitoring to ensure compliance and update the Group's existing key risk profile.

## INTERNAL AUDIT FUNCTION

The Group's Internal Audit Function assists the Board and the ARMC by providing an independent assessment of the adequacy and effectiveness of the Group's risk management and internal control systems. Further details of the Internal Audit Function are set out in the ARMC Report on pages 45 to 46 of this Annual Report.

## OTHER KEY ELEMENTS OF INTERNAL CONTROL

The other key elements of the Group's internal control systems are:

a) The Group has an organisation structure with clear lines of responsibility and delegation of authority to ensure proper identification of accountabilities and segregation of duties.

b) The Executive Directors are closely involved in the running of the business and operations of the Group and report to the Board on significant changes in the business and external environment, which affect the operations of the Group at large.

c) Management meetings are conducted on a monthly basis with the Executive Directors, the Chief Operating Officer and the members of management at the level of Assistant General Manager and above in attendance.

d) The Group Managing Director and the senior management in the Project and Technical Department at the level of General Manager and above, undertake visits to project sites and workshop and communicate with various levels of staff. The visits and close communication with working level are pertinent to obtaining timely feedback on the progress at the project sites and workshop activities, and gauging first-hand the effectiveness of strategies discussed and implemented.

e) Insurance on the major assets and resources of the Group are in place to ensure that there is adequate insurance coverage against any mishap that may result in losses to the Group.

f) All quarterly financial results announcements were reviewed by the ARMC and approved by the Board upon recommendation of the ARMC before announcing to Bursa Securities.

g) The Group's subsidiary, Econpile (M) Sdn. Bhd., has an Integrated Management System in place for Quality, Environment, Occupational Health and Safety which is in compliance with international standards ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, respectively. The scope of certification is the provision of installation, testing of bored piles, micro piles and drive piles and construction of sub-structure. The certifications are valid up to 26 August 2024, 9 September 2024 and 9 September 2024, respectively.

h) Code of Ethics and Code of Conduct that set out the standards of conduct and responsible behaviour expected of all Directors and employees are in place to promote corporate culture which inculcates ethical conduct throughout the Group.

i) Anti-Bribery and Anti-Corruption Policy & Guidelines are in place to promote anti-bribery and anti-corruption practices within the Group as well as to provide guidelines for the undertaking of due diligence on key stakeholders to mitigate bribery and corruption risks.

# Statement on Risk Management and Internal Control (Continued)

## OTHER KEY ELEMENTS OF INTERNAL CONTROL (Continued)

j) A Safety, Health and Environment Policy is in place and the Quality, Safety, Health and Environment ("QSHE") department is tasked to raise the awareness of QSHE practices throughout the Group and monitors the compliance with the relevant regulations and best practices.

k) Whistleblowing policy and guidelines are in place to assist employees raise concerns on any malpractices they may observe in the Group, without fear of retaliation.

l) Corporate disclosure policies and procedures are in place to provide general guidance to the Directors and employees in the determination and dissemination of material information.

m) An investment policy, which sets forth the parameters and procedures for approval of new investments, is in place to assist the Board to provide oversight of investments, inter-alia, consideration of the quantitative, qualitative and risk analysis of each investment.

n) The Board has established several Board Committees to assist in discharging its duties. These include the ARMC, Nomination Committee and Remuneration Committee. These Board Committees are delegated with specific duties to review and consider all matters within their scope of responsibility as defined in their respective terms of reference.

## CONCLUSION

The Board is of the view that the Group's system of risk management and internal controls in place are adequate and effective for the financial year under review to safeguard shareholders' interest and the Group's assets and have not resulted in any material losses, contingencies or uncertainties that would require disclosure in the Group's annual report. The Board is also cognisant of the fact that the Group's system of internal control and risk management practices must continuously evolve to meet the changing and challenging business environment. As such, the Board will, when necessary, put in place appropriate action plans to rectify any potential weaknesses or further enhance the system of internal control within the Group.

## ASSURANCE FROM THE MANAGEMENT

The Board has also received assurance from the Group Managing Director, Group Chief Executive Officer and the Deputy Senior General Manager (Finance) that the Group's risk management and internal control system are operating adequately and effectively, in all material respects, based on the risk management and internal control system of the Group.

## REVIEW ON STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL BY EXTERNAL AUDITORS

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 30 June 2023 and nothing has come to their attention that causes them to believe that the Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

This Statement on Risk Management and Internal Control was approved by the Board on 18 October 2023.

# Directors' Responsibility Statement

The Directors are responsible to prepare the financial statements in accordance with the Companies Act 2016 ("the Act") and the applicable approved accounting standards so as to give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year.

In preparing the financial statements for the financial year ended 30 June 2023, the Directors have:

- Adopted the appropriate and relevant accounting policies and applied them consistently;
- Made judgment, estimates and assumptions based on their best knowledge of current events and actions;
- Ensured adoption of the applicable Financial Reporting Standards in Malaysia and the provisions of the Act; and
- Prepared the financial statements on a going-concern basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at all times the financial position of the Company and the Group to ensure that the financial statements comply with the Act.

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for safeguarding the assets of the Company and the Group for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, loss or fraud.

# Additional Compliance Information

## 1. Audit and Non-Audit Fees

The amount of audit and non-audit fees paid or payable by the Company and its subsidiaries to KPMG PLT and its affiliated firms for the financial year ended 30 June 2023 ("FY2023") are as follows:-

| | Company (RM) | Group (RM) |
|---|---|---|
| Audit fees | 91,000 | 458,000 |
| Non-audit fees | 10,000 | 224,708 |

The non-audit fees incurred were mainly for services performed in connection with tax-related matters as well as the review of the Statement on Risk Management and Internal Controls.

## 2. Recurrent Related Party Transactions ("RRPT")

The details of the RRPT undertaken by the Group during the FY2023 are disclosed in Note 29 of the Financial Statements on page 109 of this Annual Report.

As the actual aggregate amount transacted for the RRPT is below the required threshold of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad to obtain shareholders' approval, the Board will not be seeking shareholders' mandate for the RRPT at the forthcoming annual general meeting of the Company. The Board and the Management will continue to monitor and track the value of the RRPT.

## 3. Material Contracts involving the interests of Directors and Major Shareholders

There were no material contracts entered into by the Group which involved the Directors and major shareholders' interests, either still subsisting at the end of the previous financial year or entered into during the FY2023.

# Audit & Risk Management Committee Report

## A. COMPOSITION AND MEETINGS

Following the cessation of Ong Poay Wah @ Chan Poay Wah and Dato' Rosli Bin Mohamed Nor as members of the Audit & Risk Management Committee ("ARMC") in conjunction with their resignation as directors of the Company on 18 October 2022 and 18 October 2023 respectively, the ARMC comprises the following members:

Chairperson
**Teh Bee Choo** **Independent Non-Executive Director**
(appointed as a member on 3 August 2022 and redesignated as the Chairperson of the ARMC on 18 October 2022)

Member(s)
**Law Siew Ngan** **Independent Non-Executive Director**
(appointed as a member on 18 October 2022)

All members of the ARMC are financially literate. None of the members were former key audit partners of the Company's existing External Auditors. Ms Teh Bee Choo and Ms Law Siew Ngan are members of the Malaysian Institute of Accountants.

With the cessation of Dato' Rosli Bin Mohamed Nor as a member of the ARMC, the composition of the ARMC does not comply with Paragraph 15.09(1)(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), which requires the audit committee to comprise of a minimum of 3 members. In accordance with Paragraph 15.19 of the Listing Requirements, the Company will source for suitable candidate to fill the vacancy within 3 months from the date of cessation of office of Dato' Rosli Bin Mohamed Nor.

The ARMC held 5 meetings during the financial year ended 30 June 2023 ("FY2023") which were attended by all members. The details of the attendance of each member of the ARMC are as follows:

| ARMC Members | Number of meetings attended/ Number of meetings held |
|---|---|
| **Teh Bee Choo** (appointed as a member on 3 August 2022 and redesignated as the Chairperson of the ARMC on 18 October 2022) | 5/5 |
| **Law Siew Ngan** (appointed as a member on 18 October 2022) | 3/3 |
| **Dato' Rosli Bin Mohamed Nor** (resigned on 18 October 2023) | 5/5 |
| **Ong Poay Wah @ Chan Poay Wah** (resigned on 18 October 2022) | 2/2 |

The ARMC meets at least once in every quarter. The Executive Directors, Deputy Senior General Manager (Finance), External Auditors and Internal Auditors also attended the meetings by invitation to facilitate direct communication on matters under the consideration of the ARMC, or which, in their opinion, should be brought to the attention of the ARMC. The Chairman of the ARMC reports to the Board of Directors ("Board") on matters discussed at every ARMC meeting as well as the ARMC's recommendations, to the Board for consideration after the ARMC meeting.

## B. TERMS OF REFERENCE

The duties and responsibilities of the ARMC are as set out in the Terms of Reference of the ARMC which is available on the Company's website at www.econpile.com. The Terms of Reference was last reviewed by the ARMC on 29 August 2023.

## C. SUMMARY OF WORK PERFORMED BY THE ARMC

The objective of ARMC is to assist the Board in fulfilling its statutory and fiduciary responsibilities towards maintaining adequate and effective risk management and internal control system. In furtherance of its oversight responsibilities, the ARMC has continued to review and report to the Board on the Group's financial reporting, internal control and risk management processes and the performance and independence of the External Auditors during the financial year. The activities undertaken by the ARMC in discharging its duties and responsibilities for FY2023 were as follows:

# Audit & Risk Management Committee Report (Continued)

## C. SUMMARY OF WORK PERFORMED BY THE ARMC (Continued)

**External Audit**

a) Reviewed the audit plan for FY2023, covering the audit engagement team, materiality, audit scope, independence, audit focus areas and audit timetable prepared by the External Auditors to ensure that their scope of work is adequate, and they are independent.

b) Evaluated the suitability of the External Auditors taking into consideration among others, their independence, performance, competency, audit quality, adequacy of resources, communication and interaction and provision of non-audit services and made recommendation to the Board on their re-appointment and remuneration.

c) Reviewed the audit findings on the statutory audit prepared by the External Auditors.

d) Reviewed the audit fees and non-audit fees and services provided by the External Auditors and recommended the same for Board's approval.

**Financial Reporting**

a) Reviewed the unaudited quarterly financial results of each quarter and the annual audited financial statements of the Group and the Company for FY2023 prior to recommending to the Board for their approval and subsequent release to Bursa Malaysia Securities Berhad.

b) Reviewed the progress of project costs and billings and the adequacy of impairment of trade receivables.

c) Reviewed the integrity of information in the financial statements and quarterly reports, in particular on changes in accounting policies and practices, significant adjustments resulting from audit, going concern assumption, completeness of disclosures and compliance with applicable accounting standards.

d) Held a private session with the External Auditors without the presence of the Management on 29 August 2023 to discuss issues encountered during the course of the audit and significant matters related to audit plan and strategy to ensure that there were no restrictions on the scope of audit for FY2023. There were no major concerns from the External Auditors.

**Internal Audit**

a) Reviewed the internal audit reports and recommendations made by the Internal Auditors and the corresponding corrective actions taken by the Management including follow up reviews to ensure satisfactory actions have been taken to address previously reported internal audit findings.

b) Reviewed the adequacy of the scope, functions, competency and resources of the internal audit function.

c) Held a private session with the Internal Auditors without the presence of the Management on 28 November 2022 to discuss issues encountered during the course of internal audit. There were no major concerns from the Internal Auditors.

**Others**

a) Reviewed the related party transactions ("RPT") and recurrent related party transactions ("RRPT") entered into by the Group and the Company on quarterly basis. There were no RPT and RRPT that triggered the disclosure threshold under the Listing Requirements and required shareholders' approval.

b) Reviewed quarterly management reports consist of financial performance review, project progress analysis and receivables ageing analysis.

c) Reviewed the adequacy and effectiveness of the system of internal control through the results of work performed by the Internal and External Auditors and discussion with Senior Management.

d) Reviewed the Anti-Bribery and Anti-Corruption Policy.

e) Reviewed the External Auditors' Assessment Policy.

f) Reviewed the Terms of Reference of ARMC.

# Audit & Risk Management Committee Report (Continued)

## C. SUMMARY OF WORK PERFORMED BY THE ARMC (Continued)

**Others** (Continued)

g) Reviewed the Corporate Governance Report, ARMC Report, Statement on Risk Management and Internal Control, and Corporate Governance Overview Statement and recommended the same to the Board for approval prior to inclusion in the Annual Report.

h) Reviewed the risk profile of the Group.

i) Reviewed and noted that there was no conflict of interest or any potential conflict of interest situation arose or persisted.

## D. SUMMARY OF WORK OF THE INTERNAL AUDIT FUNCTION

The Group's internal audit function, which reports directly to the ARMC, is outsourced to Tricor Axcelasia Sdn. Bhd. The Engagement Executive Director for the FY2023 is Ms Melissa Koay who has diverse professional experience in internal audit, risk management and corporate governance advisory. She is a Chartered Member of the Institute Auditors Malaysia, a member of the Malaysian Institute of Accountants and a Fellow Member of the Association of Chartered Certified Accountants, United Kingdom. Ms Melissa Koay is also a Certified Internal Auditor.

The number of staff deployed for the internal audit reviews ranges from 3 to 4 staff per visit including the Engagement Director.

The staff involved in the internal audit reviews possess professional qualifications and/or a university degree. Certain staff are members of the Institute of Internal Auditors Malaysia. The internal audit staff on the engagement are free from any relationships or conflict of interest, which could impair their objectivity and independence, and the internal audit reviews were conducted using a risk-based approach and were guided by the International Professional Practice Framework.

The internal audit activities undertaken during the FY2023 are as follows:

a) Formulated annual risk-based audit plan taking into account the Group's risk profile and Senior Management feedback which was presented to the ARMC for their approval and reviewed the resource requirements for audit executions.

b) Performed internal audit reviews in accordance with the approved annual audit plan.

c) Evaluating and improving the effectiveness of internal controls system and compliance with established policies and procedures as well as applicable regulatory requirements.

d) Issued internal audit reports incorporating audit recommendations and Management responses.

e) Followed up on the implementation of corrective action plans to ensure satisfactory actions have been taken to address previous internal audit findings.

f) Attended ARMC meetings to table and discuss the internal audit reports and followed up on matters raised.

The following areas are covered by the Internal Auditors during the financial year under review:

| Entity | Auditable Areas |
|---|---|
| Econpile (M) Sdn. Bhd. | Project Management<br>Procurement of Materials and Services |

The results of the audit reviews were discussed with Senior Management and subsequently, the audit findings, including the recommendations for improvement were presented to the ARMC at their scheduled meetings. In addition, follow up visits were also conducted to ensure that corrective action plans have been implemented in a timely manner and the results of the follow up reviews were also presented to the ARMC.

The ARMC had reviewed the adequacy of scope, functions, competency and resources of the Internal Audit Function and is satisfied with the performance of the outsourced Internal Auditors. In the interest of greater independence and objectivity, the internal audit function will continue to be outsourced.

The total costs incurred for the outsourcing of the Internal Audit function for the FY2023 was RM48,000.

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# Financial Statements

# Directors' Report

for the year ended 30 June 2023

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 30 June 2023.

## Principal activities

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

## Subsidiaries

The details of the Company's subsidiaries are disclosed in Note 6 to the financial statements.

## Results

| | Group RM'000 | Company RM'000 |
|---|---|---|
| (Loss)/Profit for the year | (15,679) | 1,566 |

## Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review.

## Dividend

No dividend was paid during the financial year and the Directors do not recommend any dividend to be paid for the financial year under review.

## Directors of the Company

Directors who served during the financial year until the date of this report are:

The Cheng Eng*
Pang Sar*
The Kun Ann*
Krishnan A/L C K Menon
Teh Bee Choo (appointed on 3 August 2022)
Law Siew Ngan (appointed on 18 October 2022)
Ong Poay Wah @ Chan Poay Wah (resigned on 18 October 2022)
Dato' Rosli Bin Mohamed Nor (resigned on 18 October 2023)

* *These Directors are also Directors of the Company's subsidiaries.*

# Directors' Report (Continued)

for the year ended 30 June 2023

## Directors' interests in shares

The interests and deemed interests in the shares and option over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) of those who were Directors at financial year end (including the interests of the spouses or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows:

| | Number of ordinary shares | | | |
|---|---|---|---|---|
| | At 1.7.2022 | Bought | Sold | At 30.6.2023 |
| Interests in the Company: | | | | |
| The Cheng Eng | | | | |
| - own | 349,933,118 | - | - | 349,933,118 |
| - children* | 380,000 | - | - | 380,000 |
| Pang Sar | 277,000,012 | - | - | 277,000,012 |
| The Kun Ann | 250,000 | - | - | 250,000 |
| Krishnan A/L C K Menon | 250,000 | - | - | 250,000 |

| | Number of warrants | | | | |
|---|---|---|---|---|---|
| | At 1.7.2022 | Exercised | Expired | Sold | At 30.6.2023 |
| Interests in the Company: | | | | | |
| The Cheng Eng | | | | | |
| - own | 68,900,008 | - | (68,900,008) | - | - |
| - children* | 76,000 | - | (76,000) | - | - |
| Pang Sar | 58,400,002 | - | (58,400,002) | - | - |
| The Kun Ann | 50,000 | - | (50,000) | - | - |
| Krishnan A/L C K Menon | 50,000 | - | (50,000) | - | - |

* The Kun Hong and The Kun Ee are the children of The Cheng Eng but are not Directors of the Company. In accordance with Section 59 of the Companies Act 2016, the interests and deemed interests of The Kun Hong and The Kun Ee in the shares and option over shares of the Company and of its related corporations (other than wholly-owned subsidiaries) shall also be treated as the interests of The Cheng Eng.

By virtue of their interests in the shares of the Company, The Cheng Eng and Pang Sar are also deemed interested in the shares of the subsidiaries during the financial year to the extent that Econpile Holdings Berhad has an interest.

None of the other Directors holding office at 30 June 2023 had any interest in the shares and option over shares of the Company and of its related corporations during the financial year.

# Directors' Report (Continued)
for the year ended 30 June 2023

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than those shown below) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

The Directors' benefits paid to or receivable by Directors in respect of the financial year ended 30 June 2023 are as follows:

| | From the Company RM'000 | From subsidiary RM'000 |
|---|---|---|
| Directors of the Company: | | |
| Fees | 240 | - |
| Remuneration | 333 | 1,775 |
| Estimated monetory value of any other benefits | - | 55 |
| | 573 | 1,830 |

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## Director of subsidiary

Pursuant to Section 253 of the Companies Act 2016 in Malaysia, the Director of subsidiary (excluding Directors who are also Directors of the Company) during the financial year and up to the date of this report is as follows:

**Director**
Sukumaran Ramadass

## Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company during the financial year. There were no debentures issued during the financial year.

## Warrants

On 5 January 2018, the Company issued 267,500,005 free warrants to all entitled shareholders of the Company on the basis of one (1) free warrant for every four (4) ordinary shares held in the Company with an exercise price of RM1.25. The warrants have expired during the financial year.

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

## Indemnity and insurance costs

During the financial year, the amounts of indemnity sum and insurance premium paid for Directors and other officers of the Company on a group basis were RM10,000,000 and RM21,620, respectively. There was no indemnity and insurance effected for auditors of the Company and of the Group.

# Directors' Report (Continued)

for the year ended 30 June 2023

## Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts, and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, the financial performance of the Group and of the Company for the financial year ended 30 June 2023 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

# Directors' Report (Continued)
for the year ended 30 June 2023

## Auditors

The auditors, KPMG PLT, have indicated their willingness to accept re-appointment.

The auditors' remuneration of the Group and of the Company during the year are RM683,000 and RM101,000, respectively. Details are as set out in Note 22 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**The Cheng Eng**

**Pang Sar**

Kuala Lumpur

Date: 18 October 2023

# Statements Of Financial Position
as at 30 June 2023

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Property, plant and equipment | 3 | 20,010 | 24,906 | - | - |
| Right-of-use assets | 4 | 1,320 | 1,235 | - | - |
| Investment properties | 5 | 14,014 | 14,140 | - | - |
| Investments in subsidiaries | 6 | - | - | 94,000 | 94,000 |
| Other investments | 7 | - | # | - | - |
| Deferred tax assets | 8 | 3,374 | 3,374 | - | - |
| Trade and other receivables | 9 | - | - | 93,842 | 92,191 |
| **Total non-current assets** | | 38,718 | 43,655 | 187,842 | 186,191 |
| Other investments | 7 | 1,124 | 1,035 | 1,051 | 1,035 |
| Trade and other receivables | 9 | 424,822 | 435,038 | 5 | 5 |
| Contract assets | 10 | 129,613 | 113,174 | - | - |
| Prepayments | | 917 | 1,546 | 22 | 11 |
| Current tax assets | | 16,862 | 19,077 | - | - |
| Cash and cash equivalents | 11 | 45,176 | 51,920 | 122 | 241 |
| | | 618,514 | 621,790 | 1,200 | 1,292 |
| Assets classified as held for sale | 12 | 545 | 545 | - | - |
| **Total current assets** | | 619,059 | 622,335 | 1,200 | 1,292 |
| **Total assets** | | 657,777 | 665,990 | 189,042 | 187,483 |
| **Equity** | | | | | |
| Share capital | 13 | 177,206 | 177,206 | 177,206 | 177,206 |
| Reserves | 13 | 209,038 | 224,570 | 11,391 | 9,825 |
| **Equity attributable to owners of the Company** | | 386,244 | 401,776 | 188,597 | 187,031 |
| **Liabilities** | | | | | |
| Loans and borrowings | 14 | 18,977 | 26,957 | - | - |
| Lease liabilities | | 639 | 422 | - | - |
| Employee benefits | 15 | 6,447 | 6,447 | - | - |
| **Total non-current liabilities** | | 26,063 | 33,826 | - | - |
| Loans and borrowings | 14 | 91,681 | 85,052 | - | - |
| Lease liabilities | | 721 | 847 | - | - |
| Trade and other payables | 16 | 140,815 | 123,984 | 201 | 182 |
| Provisions | 17 | 3,946 | 5,879 | - | - |
| Contract liabilities | 10 | 7,796 | 13,952 | - | - |
| Current tax liabilities | | 511 | 674 | 244 | 270 |
| **Total current liabilities** | | 245,470 | 230,388 | 445 | 452 |
| **Total liabilities** | | 271,533 | 264,214 | 445 | 452 |
| **Total equity and liabilities** | | 657,777 | 665,990 | 189,042 | 187,483 |

# denotes RM 1

The notes on pages 61 to 110 are an integral part of these financial statements.

# Statements Of Profit Or Loss And Other Comprehensive Income

for the year ended 30 June 2023

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| **Revenue** | 18 | 375,983 | 366,551 | - | - |
| Cost of sales | 19 | (369,588) | (382,513) | - | - |
| **Gross profit/(loss)** | | 6,395 | (15,962) | - | - |
| Other income | | 5,027 | 5,911 | 16 | 18 |
| Administrative expenses | | (19,903) | (16,767) | (1,137) | (1,075) |
| Net gain/(loss) on impairment of financial instruments | | 1,500 | (1,637) | - | - |
| **Results from operating activities** | | (6,981) | (28,455) | (1,121) | (1,057) |
| Finance income | 20 | 699 | 416 | 3,481 | 3,423 |
| Finance costs | 21 | (4,641) | (3,527) | - | - |
| **Net finance (costs)/income** | | (3,942) | (3,111) | 3,481 | 3,423 |
| **(Loss)/Profit before tax** | 22 | (10,923) | (31,566) | 2,360 | 2,366 |
| Tax expense | 23 | (4,756) | (9,334) | (794) | (784) |
| **(Loss)/Profit for the year** | | (15,679) | (40,900) | 1,566 | 1,582 |
| **Other comprehensive income/(expense), net of tax** | | | | | |
| **Item that is or may be reclassified subsequently to profit or loss** | | | | | |
| Foreign currency translation differences for foreign operation | | 147 | (477) | - | - |
| **(Loss)/Profit and total comprehensive (expense)/ income for the year** | | (15,532) | (41,377) | 1,566 | 1,582 |
| **Basic loss per ordinary share (sen)** | 24 | (1.11) | (2.89) | | |

The notes on pages 61 to 110 are an integral part of these financial statements.

# Consolidated Statement Of Changes In Equity

for the year ended 30 June 2023

| | *<----------Non-distributable---------->* | | | *Distributable* | |
|---|---|---|---|---|---|
| | Share capital | Deficit in business combination | Translation reserve | Retained earnings | Total equity |
| **Group** | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| **At 1 July 2021** | 177,206 | (87,000) | 62 | 352,885 | 443,153 |
| Loss for the year | - | - | - | (40,900) | (40,900) |
| Foreign currency translation differences for foreign operation | - | - | (477) | - | (477) |
| Loss and total comprehensive expense for the year | - | - | (477) | (40,900) | (41,377) |
| **At 30 June 2022/ 1 July 2022** | 177,206 | (87,000) | (415) | 311,985 | 401,776 |
| Loss for the year | - | - | - | (15,679) | (15,679) |
| Foreign currency translation differences for foreign operation | - | - | 147 | - | 147 |
| Loss and total comprehensive expense for the year | - | - | 147 | (15,679) | (15,532) |
| **At 30 June 2023** | 177,206 | (87,000) | (268) | 296,306 | 386,244 |
| | Note 13 | Note 13 | Note 13 | | |

The notes on pages 61 to 110 are an integral part of these financial statements.

# Statement of Changes In Equity

for the year ended 30 June 2023

| Company | *Non-distributable* Share capital RM'000 | *Distributable* Retained earnings RM'000 | Total equity RM'000 |
|---|---|---|---|
| **At 1 July 2021** | 177,206 | 8,243 | 185,449 |
| Profit and total comprehensive income for the year | - | 1,582 | 1,582 |
| **At 30 June 2022/1 July 2022** | 177,206 | 9,825 | 187,031 |
| Profit and total comprehensive income for the year | - | 1,566 | 1,566 |
| **At 30 June 2023** | 177,206 | 11,391 | 188,597 |
| | Note 13 | | |

The notes on pages 61 to 110 are an integral part of these financial statements.

# Statement of Cash Flows

for the year ended 30 June 2023

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| **Cash flows from operating activities** | | | | | |
| (Loss)/Profit before tax | | (10,923) | (31,566) | 2,360 | 2,366 |
| *Adjustments for:* | | | | | |
| Depreciation of property, plant and equipment | 3 | 7,154 | 16,290 | - | - |
| Depreciation of right-of-use assets | 4 | 1,065 | 1,010 | - | - |
| Depreciation of investment properties | 5 | 60 | 70 | - | - |
| Change in fair value of other investments | | 2,423 | (16) | (16) | (16) |
| Finance income | 20 | (699) | (416) | (3,481) | (3,423) |
| Finance costs | 21 | 4,641 | 3,527 | - | - |
| Gain on disposal of property, plant and equipment | 22 | (384) | (141) | - | - |
| Gain on disposal of investment property | | (98) | (221) | - | - |
| Net gain on unrealised foreign exchange | | (1,558) | (723) | - | - |
| Gain on disposal of club membership | | (26) | - | - | - |
| Loss on disposal of asset held for sale | | - | 144 | - | - |
| Gain on disposal of other investment | | (1,747) | - | - | - |
| Net impairment (gain)/loss on financial instruments | 26.4 | (1,500) | 1,637 | - | - |
| **Operating loss before working capital changes** | | (1,592) | (10,405) | (1,137) | (1,073) |
| Change in trade and other receivables and prepayments | | 7,517 | (73,349) | (11) | 10 |
| Change in trade and other payables | (iii) | 16,691 | (50,597) | 19 | 47 |
| Change in contract assets | | (16,439) | 89,185 | - | - |
| Change in contract liabilities | | (6,156) | 12,552 | - | - |
| Change in provisions | | (1,933) | 5,879 | - | - |
| **Cash used in operations** | | (1,912) | (26,735) | (1,129) | (1,016) |
| Interest received | | - | - | 3,481 | 3,423 |
| Interest paid | | (295) | - | - | - |
| Tax paid | | (530) | (3,903) | (820) | (745) |
| Interest paid on lease liabilities | (iv) | (74) | (63) | - | - |
| **Net cash (used in)/from operating activities** | | (2,811) | (30,701) | 1,532 | 1,662 |

# Statement of Cash Flows (Continued)
for the year ended 30 June 2023

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | (ii) | (2,201) | (1,202) | - | - |
| Acquisition of investment properties | | - | (95) | - | - |
| Interest received from fixed deposits | | 699 | 416 | - | - |
| Proceeds from disposal of property, plant and equipment | | 384 | 177 | - | - |
| Proceeds from disposal of other investments | | 3,235 | - | - | - |
| Proceeds from disposal of club membership | | 26 | - | - | - |
| Proceeds from disposal of investment properties | | - | 1,581 | - | - |
| Proceeds from disposal of asset held for sale | | - | 1,600 | - | - |
| Increase in advances to subsidiaries | | - | - | (1,651) | (1,443) |
| **Net cash from/(used in) investing activities** | | 2,143 | 2,477 | (1,651) | (1,443) |
| **Cash flows from financing activities** | | | | | |
| Change in pledged deposits | | (90) | (62) | - | - |
| Net repayment of bankers' acceptances | (v) | (8,398) | (5,959) | - | - |
| Interest paid on loans and borrowings | | (3,968) | (3,464) | - | - |
| Net (repayment of)/drawdown from bank loans | (v) | (7,414) | 29,016 | - | - |
| Net repayment of hire purchase liabilities | (v) | (539) | (572) | - | - |
| Net drawdown of revolving credit | (v) | 15,000 | 10,000 | - | - |
| Payment of lease liabilities | (iv),(v) | (1,061) | (998) | - | - |
| **Net cash (used in)/from financing activities** | | (6,470) | 27,961 | - | - |
| **Net (decrease)/increase in cash and cash equivalents** | | (7,138) | (263) | (119) | 219 |
| Cash and cash equivalents at 1 July | | 47,753 | 48,275 | 241 | 22 |
| Effect of exchange rate fluctuations on cash held | | 304 | (259) | - | - |
| **Cash and cash equivalents at 30 June** | (i) | 40,919 | 47,753 | 122 | 241 |

# Statement of Cash Flows (Continued)
for the year ended 30 June 2023

## (i) Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following statements of financial position amounts:

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| Cash and bank balances | 11 | 37,754 | 46,639 | 122 | 241 |
| Deposit placed with licensed banks | 11 | 7,422 | 5,281 | - | - |
| | | 45,176 | 51,920 | 122 | 241 |
| Less: Deposits pledged | 11 | (4,257) | (4,167) | - | - |
| | | 40,919 | 47,753 | 122 | 241 |

## (ii) Acquisition of property, plant and equipment

In 2022, the Group acquired property, plant and equipment with an aggregate cost of RM1,802,000, of which RM100,000 was acquired by means of hire purchase arrangements and RM500,000 were acquired by means of contra with one other debtor.

## (iii) Proceed from disposal of investment properties

During the financial year, the Group sold investment properties amounting to RM66,000 (2022: RM1,903,000) to its subcontractor for a total consideration of RM164,000 (2022: RM1,903,000) which were settled by way of contra with payables owing to the subcontractor.

## (iv) Cash outflows for leases as a lessee

| | Note | Group 2023 RM'000 | Group 2022 RM'000 |
|---|---|---|---|
| **Included in net cash from operating activities:** | | | |
| Payment relating to short-term leases | 22 | 10,745 | 7,463 |
| Interest paid in relation to lease liabilities | 22 | 74 | 63 |
| | | 10,819 | 7,526 |
| **Included in net cash from financing activities:** | | | |
| Payment of lease liabilities | | 1,061 | 998 |
| **Total cash outflows for leases** | | 11,880 | 8,524 |

# Statement of Cash Flows (Continued)

for the year ended 30 June 2023

## (v) Reconciliation of movements of liabilities to cash flows arising from financing activities

| | At 1 July 2021 RM'000 | Net changes from financing cash flows RM'000 | Acquisition of new leases RM'000 | Foreign exchange movements RM'000 | At 30 June 2022 RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Bankers' acceptances | 55,051 | (5,959) | - | - | 49,092 |
| Bank loans | 4,787 | 29,016 | - | - | 33,803 |
| Lease liabilities | 2,140 | (998) | 46 | 81 | 1,269 |
| Revolving credit | 18,000 | 10,000 | - | - | 28,000 |
| Hire purchase liabilities | 1,586 | (472) | - | - | 1,114 |
| Total liabilities from financing activities | 81,564 | 31,587 | 46 | 81 | 113,278 |

| | At 1 July 2022 RM'000 | Net changes from financing cash flows RM'000 | Acquisition of new leases RM'000 | Foreign exchange movements RM'000 | At 30 June 2023 RM'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| Bankers' acceptances | 49,092 | (8,398) | - | - | 40,694 |
| Bank loans | 33,803 | (7,414) | - | - | 26,389 |
| Lease liabilities | 1,269 | (1,061) | 1,111 | 41 | 1,360 |
| Revolving credit | 28,000 | 15,000 | - | - | 43,000 |
| Hire purchase liabilities | 1,114 | (539) | - | - | 575 |
| Total liabilities from financing activities | 113,278 | (2,412) | 1,111 | 41 | 112,018 |

The notes on pages 61 to 110 are an integral part of these financial statements.

# Notes To The Financial Statements

Econpile Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The addresses of the principal place of business and registered office of the Company are as follows:

**Principal place of business**
Level 8, Tower Block, Plaza Dwitasik
Jalan Sri Permaisuri, Bandar Sri Permaisuri
56000 Kuala Lumpur

**Registered office**
Unit 30-01, Level 30, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

The consolidated financial statements of the Company as at and for the financial year ended 30 June 2023 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "Group entities"). The financial statements of the Company as at and for the financial year ended 30 June 2023 do not include other entities.

The Company is principally engaged in investment holding activities whilst the principal activities of the subsidiaries are as stated in Note 6 to the financial statements.

These financial statements were authorised for issue by the Board of Directors on 18 October 2023.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

The following are accounting standards, interpretations and amendments of the MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group and the Company:

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2023***
- MFRS 17, *Insurance Contracts*
- Amendments to MFRS 17, *Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information*
- Amendments to MFRS 101, *Presentation of Financial Statements –Disclosures of Accounting Policies*
- Amendments to MFRS 108, *Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Accounting Estimates*
- Amendments to MFRS 112, *Income Taxes – Deferred Tax related to Assets and Liabilities arising from a Single Transaction and International Tax Reform – Pillar Two Model Rules*

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2024***
- Amendment to MFRS 16, *Leases – Lease Liability in a Sale and Leaseback*
- Amendment to MFRS 101, *Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current*
- Amendments to MFRS 107, *Statement of Cash Flows* and MFRS 7, *Financial Instruments: Disclosures – Supplier Finance Arrangements*

***MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2025***
- Amendments to MFRS 121, *The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability*

# Notes To The Financial Statements (Continued)

## 1. Basis of preparation (Continued)

### (a) Statement of compliance (Continued)

***MFRSs, interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed***

- Amendments to MFRS 10, *Consolidated Financial Statements* and MFRS 128, *Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The Group and the Company plans to apply the applicable accounting standards, interpretations and amendments:

- from the annual period beginning on 1 July 2023 for the accounting standard and amendments that are effective for annual periods beginning on or after 1 January 2023;
- from the annual period beginning on 1 July 2024 for the amendments that are effective for annual periods beginning on or after 1 January 2024; and
- from the annual period beginning on 1 July 2025 for the amendments that are effective for annual periods beginning on or after 1 January 2025.

The initial application of the applicable accounting standards and amendments is not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

### (b) Basis of measurement

These financial statements have been prepared on the historical cost basis other than as disclosed in Note 2.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

### (d) Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in the following notes:

- Note 9, Note 10 and Note 26.4 - impairment losses on trade receivables (including retention sum) and contract assets
- Note 18 - revenue from contracts with customers
- Note 28 - contingencies

# Notes To The Financial Statements (Continued)

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### (i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

#### (ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

#### (iii) Acquisitions of entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any resulting gain/loss is recognised directly in equity.

#### (iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as a financial asset depending on the level of influence retained.

# Notes To The Financial Statements (Continued)

## 2. Significant accounting policies (Continued)

### (a) Basis of consolidation (Continued)

#### (v) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### (b) Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date.

Foreign currency differences arising on retranslation are recognised in profit or loss.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

#### (ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

### (c) Financial instruments

#### (i) Recognition and initial measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

## 2. Significant accounting policies (Continued)

### (c) Financial instruments (Continued)

#### (ii) Financial instrument categories and subsequent measurement

***Financial assets***

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group or the Company changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

***(a) Amortised cost***

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 2 (j)(i)) where the effective interest rate is applied to the amortised cost.

***(b) Fair value through profit or loss***

All financial assets not measured at amortised cost are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group or the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to impairment assessment (see Note 2 (j)(i)).

***Financial liabilities***

***Amortised cost***

Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense are recognised in the profit or loss. Any gains or losses on derecognition are also recognised in the profit or loss.

#### (iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of:

- the amount of the loss allowance; and
- the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

# Notes To The Financial Statements (Continued)

## 2. Significant accounting policies (Continued)

### (c) Financial instruments (Continued)

#### (iv) Derecognition

A financial asset or a part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or transferred, or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount of the financial asset and the sum of consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expires. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

### (d) Property, plant and equipment

#### (i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within “other income” and “other expenses” respectively in profit or loss.

#### (ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group or the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

## 2. Significant accounting policies (Continued)

### (d) Property, plant and equipment (Continued)

#### (iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Freehold land is not depreciated. Capital work-in-progress are not depreciated until the assets are ready for their intended use.

The estimated useful lives for the current and comparative periods are as follows:

| | |
|---|---|
| • buildings | 50 years |
| • plant and machinery | 5 years |
| • piling and site equipment | 5 years |
| • office equipment | 5 years |
| • furniture and fittings | 5 years |
| • motor vehicles | 5 years |
| • renovation | 5 years |

Depreciation methods, useful lives and residual values are reviewed at the end of the reporting period, and adjusted as appropriate.

### (e) Leases

#### (i) Definition of a lease

A contract is, or contains, a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the customer has the right to direct the use of the asset. The customer has the right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset; or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or on reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

# Notes To The Financial Statements (Continued)

## 2. Significant accounting policies (Continued)

### (e) Leases (Continued)

#### (ii) Recognition and initial measurement

##### (a) As a lessee

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and 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, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group entities' incremental borrowing rate. Generally, the Group entities use their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and
- penalties for early termination of a lease unless the Group is reasonably not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

##### (b) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

# Notes To The Financial Statements (Continued)

## 2. Significant accounting policies (Continued)

### (e) Leases (Continued)

#### (iii) Subsequent measurement

**(a) As a lessee**

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, 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.

**(b) As a lessor**

The Group recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

### (f) Investment property

#### (i) Investment property carried at cost

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially and subsequently measured at cost less any accumulated depreciation are accounted for similarly to property, plant and equipment. Right-of-use asset held under a lease contract that meets the definition of investment property is initially measured similarly as other right-of-use assets.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

The estimated useful lives for the current period is as follow:

| | |
|---|---|
| Buildings | 50 years |

Depreciation method, useful lives and residual value are reviewed at the end of the reporting period, and adjusted as appropriate.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

## 2. Significant accounting policies (Continued)

### (f) Investment property (Continued)

#### (ii) Reclassification to/from investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit or loss. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

### (g) Non-current asset held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs of disposal.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as asset held for sale is not amortised or depreciated.

### (h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits placed with licensed banks. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts, if any.

### (i) Contract asset/Contract liability

A contract asset is recognised when the Group's or the Company's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment in accordance to MFRS 9, *Financial Instruments* (see Note 2 (j)(i)).

A contract liability is stated at cost and represents the obligation of the Group or the Company to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

### (j) Impairment

#### (i) Financial assets

The Group and the Company recognise loss allowances for expected credit losses on financial assets measured at amortised cost and contract assets.

The Group and the Company use the simplified approach to measures loss allowances at an amount equal to lifetime expected credit loss which are the expected credit losses that result from all possible default events over the expected life of the asset, except for cash and cash equivalents. The credit risk of cash and cash equivalents which has not increased significantly since initial recognition are measured at 12-month expected credit loss. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime expected credit loss.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of the asset. The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

# Notes To The Financial Statements (Continued)

## 2. Significant accounting policies (Continued)

### (j) Impairment (Continued)

#### (i) Financial assets (Continued)

The Group and the Company estimate the expected credit losses on trade receivables and contract assets individually based on their financial information, past trend of payments, external credit ratings, where applicable and with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's or the Company's procedures for recovery amounts due.

#### (ii) Other assets

The carrying amounts of other assets (except for deferred tax assets, contract assets and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest identifiable group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating unit.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior years are assessed at the end of each reporting year for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

### (k) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

#### Ordinary shares

Ordinary shares are classified as equity.

# Notes To The Financial Statements (Continued)

## 2. Significant accounting policies (Continued)

### (l) Employee benefits

#### (i) Short term employee benefits

Short term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

#### (ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

#### (iii) Defined benefit plans

The Group's obligation in respect of defined benefit plans is calculated by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in other comprehensive income. The Group determines the net interest expense or income on the net defined liability or asset for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability or asset, taking into account any changes in the net defined benefit liability or asset during the period as a result of contributions and benefit payments.

Net interest expense and other expenses relating to defined benefit plans are recognised in profit or loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

### (m) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

#### Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

# Notes To The Financial Statements (Continued)

## 2. Significant accounting policies (Continued)

### (n) Revenue and other income

#### (i) Construction contracts

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group or the Company recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group or the Company transfers control of a good or service at a point in time unless one of the following overtime criteria is met:

(a) the customer simultaneously receives and consumes the benefits provided as the Group or the Company performs;

(b) the Group's or the Company's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(c) the Group's or the Company's performance does not create an asset with an alternative use and the Group or the Company has an enforceable right to payment for performance completed to date.

#### (ii) Rental income

Rental income from investment property and equipment are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

#### (iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

### (o) Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

### (p) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the reporting date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

# Notes To The Financial Statements (Continued)

## 2. Significant accounting policies (Continued)

### (q) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes, share options granted to employees and warrants, if any.

### (r) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

### (s) Contingencies

#### (i) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### (ii) Contingent assets

When an inflow of economic benefit of an asset is probable where it arises from past events and where existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity, the asset is not recognised in the statements of financial position but is being disclosed as a contingent asset. When the inflow of economic benefit is virtually certain, then the related asset is recognised.

### (t) Fair value measurements

Fair value of an asset or a liability, except for lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

# Notes To The Financial Statements (Continued)

## 3. Property, plant and equipment

| Group | Freehold land RM'000 | Buildings RM'000 | Plant and machinery RM'000 | Piling and site equipment RM'000 | Office equipment RM'000 | Furniture and fittings RM'000 | Motor vehicles RM'000 | Renovation RM'000 | Capital work-in-progress RM'000 | Total RM'000 |
|---|---|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | | | |
| At 1 July 2021 | 5,000 | 9,388 | 236,305 | 16,526 | 853 | 380 | 10,688 | 1,602 | 43 | 280,785 |
| Additions | - | - | 593 | 928 | 66 | 32 | 80 | - | 103 | 1,802 |
| Disposals | - | - | (305) | - | - | - | (36) | - | - | (341) |
| Transfers | - | - | - | 146 | - | - | - | - | (146) | - |
| Effect of movement in exchange rates | - | - | - | 3 | 5 | - | 23 | - | - | 31 |
| At 30 June 2022/ 1 July 2022 | 5,000 | 9,388 | 236,593 | 17,603 | 924 | 412 | 10,755 | 1,602 | - | 282,277 |
| Additions | - | - | 1,937 | 178 | 86 | - | - | - | - | 2,201 |
| Disposals | - | - | (481) | - | (12) | - | (52) | - | - | (545) |
| Effect of movement in exchange rates | - | - | 34 | 24 | 6 | 2 | 21 | - | - | 87 |
| At 30 June 2023 | 5,000 | 9,388 | 238,083 | 17,805 | 1,004 | 414 | 10,724 | 1,602 | - | 284,020 |
| **Depreciation** | | | | | | | | | | |
| At 1 July 2021 | - | 1,510 | 213,763 | 13,915 | 705 | 287 | 9,704 | 1,489 | - | 241,373 |
| Depreciation for the year | - | 195 | 14,139 | 1,366 | 66 | 32 | 467 | 25 | - | 16,290 |
| Disposals | - | - | (305) | - | - | - | - | - | - | (305) |
| Effect of movement in exchange rates | - | - | - | 3 | 3 | - | 7 | - | - | 13 |
| At 30 June 2022/ 1 July 2022 | - | 1,705 | 227,597 | 15,284 | 774 | 319 | 10,178 | 1,514 | - | 257,371 |
| Depreciation for the year | - | 195 | 5,547 | 909 | 81 | 30 | 367 | 25 | - | 7,154 |
| Disposals | - | - | (481) | - | (12) | - | (52) | - | - | (545) |
| Effect of movement in exchange rates | - | - | 8 | 6 | 4 | 1 | 11 | - | - | 30 |
| At 30 June 2023 | - | 1,900 | 232,671 | 16,199 | 847 | 350 | 10,504 | 1,539 | - | 264,010 |
| **Carrying amounts** | | | | | | | | | | |
| At 1 July 2021 | 5,000 | 7,878 | 22,542 | 2,611 | 148 | 93 | 984 | 113 | 43 | 39,412 |
| At 30 June 2022/ 1 July 2022 | 5,000 | 7,683 | 8,996 | 2,319 | 150 | 93 | 577 | 88 | - | 24,906 |
| At 30 June 2023 | 5,000 | 7,488 | 5,412 | 1,606 | 157 | 64 | 220 | 63 | - | 20,010 |

# Notes To The Financial Statements (Continued)

## 3. Property, plant and equipment (Continued)

### 3.1 Property, plant and equipment acquired under hire purchase arrangements

Included in property, plant and equipment of the Group are plant and machinery, motor vehicles and, piling and site equipment acquired under hire purchase arrangements with carrying amounts of RM1,077,000 (2022: RM2,882,000), Nil (2022: RM197,000) and RM97,000 (2022: RM127,000), respectively.

### 3.2 Security

The freehold land, a commercial property and the corporate office of the Group with a total carrying amount of RM5,830,000 (2022: RM5,972,000) are pledged as security for bank facilities granted to a subsidiary (see Note 14).

### 3.3 Capital work-in-progress

The capital work-in-progress was mainly related to non-refundable down payments made for acquisition of plant and machinery yet to be received from suppliers.

## 4. Right-of-use assets

| Group | Land<br>RM'000 | Buildings<br>RM'000 | Total<br>RM'000 |
|---|---|---|---|
| At 1 July 2021 | 737 | 1,383 | 2,120 |
| Additions | - | 46 | 46 |
| Depreciation for the year | (301) | (709) | (1,010) |
| Effect of movement in exchange rates | 33 | 46 | 79 |
| At 30 June 2022/1 July 2022 | 469 | 766 | 1,235 |
| Additions | - | 1,111 | 1,111 |
| Depreciation for the year | (320) | (745) | (1,065) |
| Effect of movement in exchange rates | 16 | 23 | 39 |
| At 30 June 2023 | 165 | 1,155 | 1,320 |

The Group leases a piece of land and buildings that run between 1 year and 2 years, with an option to renew the leases after that date.

### 4.1 Extension options

Some leases of buildings contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where applicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant change in circumstances within its control.

# Notes To The Financial Statements (Continued)

## 4. Right-of-use assets (Continued)

### 4.2 Significant judgements and assumptions in relation to leases

The Group assesses at lease commencement by applying significant judgement whether it is reasonably certain to exercise the extension options. The Group considers all facts and circumstances including its past practice and any cost that will be incurred to change the asset if an option to extend is not taken, to help them determine the lease term.

The Group applies judgement and assumptions in determining the incremental borrowing rates of the respective leases. The Group first determines the closest available borrowing rates before using judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

### 4.3 Restriction imposed by lease

The lease contracts for buildings restrict the Group's ability to sublease the leased assets in the respective contracts.

## 5. Investment properties

| | Group RM'000 |
|---|---|
| **Cost** | |
| At 1 July 2021 | 17,802 |
| Additions | 95 |
| Disposals | (3,376) |
| At 30 June 2022/1 July 2022 | 14,521 |
| Disposals | (88) |
| At 30 June 2023 | 14,433 |
| **Depreciation** | |
| At 1 July 2021 | 424 |
| Depreciation for the year | 70 |
| Disposals | (113) |
| At 30 June 2022/1 July 2022 | 381 |
| Depreciation for the year | 60 |
| Disposals | (22) |
| At 30 June 2023 | 419 |
| **Carrying amounts** | |
| At 1 July 2021 | 17,378 |
| At 30 June 2022/1 July 2022 | 14,140 |
| At 30 June 2023 | 14,014 |

# Notes To The Financial Statements (Continued)

## 5. Investment properties (Continued)

Included in the investment properties are:

| | Note | Group 2023 RM'000 | Group 2022 RM'000 |
|---|---|---|---|
| Freehold land | | 867 | 929 |
| Buildings | | 2,655 | 2,719 |
| Work-in-progress | 5.1 | 10,492 | 10,492 |
| | | 14,014 | 14,140 |

Investment properties comprise freehold land and a number of residential and commercial properties that are leased to a third party or held for capital appreciation purposes.

The following are recognised in profit or loss in respect of investment properties:

| | Group 2023 RM'000 | Group 2022 RM'000 |
|---|---|---|
| Rental income | 2 | 4 |
| Direct operating expenses: | | |
| - income generating investment properties | - | 2 |
| - non-income generating investment properties | 69 | 78 |

### 5.1 Work-in-progress

The amount capitalised relates to the acquisitions of investment properties which are not available for use as the Group has yet to obtain vacant possession.

**Fair value information**

Fair value of investment properties is categorised as follows:

| | Group 2023 RM'000 | Group 2022 RM'000 |
|---|---|---|
| **Level 3** | | |
| Freehold land | 1,009 | 959 |
| Buildings | 4,163 | 4,047 |
| Work-in-progress | 13,072 | 10,689 |
| | 18,244 | 15,695 |

**Valuation process applied by the Group for Level 3 fair value**

The fair value of freehold land, buildings and work-in-progress are estimated by the Directors using the comparison method. The comparison method requires judgement and entails critical analyses of recent evidences of values of comparable properties in the neighbourhood and making adjustment for differences such as differences in location, size and shape of land, age and condition of building, tenure, title restrictions if any and other relevant characteristics.

# Notes To The Financial Statements (Continued)

## 6. Investments in subsidiaries

| | Company | |
|---|---|---|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Unquoted shares, at cost | 94,000 | 94,000 |

Details of the subsidiaries are as follows:

| Name of entity | Principal place of business/ Country of incorporation | Principal activities | Effective ownership interest and voting interest 2023 % | 2022 % |
|---|---|---|---|---|
| Econpile (M) Sdn. Bhd. and its subsidiaries: | Malaysia | General construction and piling works | 100 | 100 |
| Platinum Production Sdn. Bhd. | Malaysia | Rental of investment properties | 100 | 100 |
| Global Piling Solutions Co., Ltd.[1] | Cambodia | General construction and piling works | 100 | 100 |
| Tropical Broadway Sdn. Bhd. | Malaysia | Property development | 100 | 100 |

[1] Audited by a member firm of KPMG International.

## 7. Other investments

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| Club membership | | - | # | - | - |
| **Current** | | | | | |
| Financial assets at fair value through profit or loss: | | | | | |
| - Unit trusts in Malaysia | | 1,051 | 1,035 | 1,051 | 1,035 |
| - Investment in quoted shares | 7.1 | 73 | - | - | - |
| | | 1,124 | 1,035 | 1,051 | 1,035 |

# denotes RM1

# Notes To The Financial Statements (Continued)

## 7. Other investments (Continued)

### 7.1 Equity investment designated at fair value through profit or loss

The Group designated the investment in equity securities as fair value through profit or loss because the investment in equity securities represents investment that the Group intends to hold for trading purpose.

| | Fair value at 30 June 2023 |
|---|---|
| | RM'000 |
| Investment in quoted shares | 73 |

## 8. Deferred tax assets

**Recognised deferred tax assets/(liabilities)**

Deferred tax assets and liabilities are attributable to the following:

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Property, plant and equipment | (4,852) | (4,852) |
| Right-of-use assets | (87) | (87) |
| Provisions | 8,225 | 8,225 |
| Lease liabilities | 88 | 88 |
| | 3,374 | 3,374 |

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

| | 2023 | 2022 |
|---|---|---|
| | RM'000 | RM'000 |
| Unutilised tax losses | 52,041 | 19,320 |
| Unabsorbed capital allowances | 13,896 | 9,379 |
| Other deductible temporary differences | 8,706 | 26,027 |
| | 74,643 | 54,726 |

# Notes To The Financial Statements (Continued)

## 8. Deferred tax assets (Continued)

Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profits will be available against which the Company can utilise the benefits therefrom.

Pursuant to the latest tax legislation, unutilised tax losses from a year of assessment ("YA") can only be carried forward up to 10 consecutive YAs. The table below shows the unutilised tax losses will expire in the following YA:

| Expiry | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| YA 2032 | 19,320 | 19,320 |
| YA 2033 | 32,721 | - |
| | 52,041 | 19,320 |

The unabsorbed capital allowances and other deductible temporary differences do not expire under current tax legislation.

## 9. Trade and other receivables

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| **Non-current** | | | | | |
| **Non-trade** | | | | | |
| Advances to subsidiaries | 9.1 | - | - | 93,842 | 92,191 |
| **Current** | | | | | |
| **Trade** | | | | | |
| Trade receivables | 9.2 | 420,787 | 450,876 | - | - |
| Less: Impairment losses | | (6,980) | (23,775) | - | - |
| | | 413,807 | 427,101 | - | - |
| **Non-trade** | | | | | |
| Other receivables | | 3,789 | 3,200 | - | - |
| Deposits | | 7,226 | 4,737 | 5 | 5 |
| | | 11,015 | 7,937 | 5 | 5 |
| | | 424,822 | 435,038 | 93,847 | 92,196 |

## 9. Trade and other receivables (Continued)

### 9.1 Advances to subsidiaries

The advances to subsidiaries are unsecured, subject to interest at 3.75% (2022: 3.75%) per annum and repayable on demand. The management has reviewed the expected repayment from the subsidiaries and hence reclassified the advances to subsidiaries as non-current.

### 9.2 Trade receivables

Included in trade receivables are retention sums of RM154,367,000 (2022: RM151,246,000) relating to construction projects. Retention sums are unsecured, interest free and expected to be collected as follows:

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **RM'000** | **RM'000** |
| Within 1 year | 49,492 | 36,214 |
| More than 1 year | 104,875 | 115,032 |
| | 154,367 | 151,246 |

### 9.3 Estimation uncertainty and critical judgements

The Group assesses the risk of loss of each customer individually based on their financial information and past trends of payment. Whilst management's assessment is guided by past experiences with consideration of current economic conditions, there may be significant uncertainty about the future recovery of debts.

## 10. Contract assets/(Contract liabilities)

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **RM'000** | **RM'000** |
| Contract assets | 129,613 | 113,174 |
| Contract liabilities | (7,796) | (13,952) |

The contract assets primarily relate to the Group's rights to consideration for work completed on construction contracts but not yet billed at the reporting date. Typically, the amount will be billed when the work is certified by the customers and payment is expected within 120 days after billing.

Included in contract assets is an amount of RM80.1million (2022: RM80.1million) related to a construction contract with a customer which is under litigation as disclosed in Note 28.2(a).

The contract liabilities primarily relate to the advance consideration received from customers for construction contracts, which revenue is recognised overtime from the construction and piling works. The contract liabilities are expected to be recognised as revenue over a period of 30 days.

Significant changes to contract liabilities balances during the year are as follows:

| | **2023** | **2022** |
|---|---|---|
| | **RM'000** | **RM'000** |
| Contract liabilities at the beginning of the period recognised as revenue | (13,952) | (1,400) |

# Notes To The Financial Statements (Continued)

## 11. Cash and cash equivalents

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash and bank balances | 37,754 | 46,639 | 122 | 241 |
| Deposits placed with licensed banks | 7,422 | 5,281 | - | - |
| **Cash and cash equivalents in the statements of financial position** | 45,176 | 51,920 | 122 | 241 |
| Deposits pledged with licensed banks | (4,257) | (4,167) | - | - |
| **Cash and cash equivalents in the statements of cash flows** | 40,919 | 47,753 | 122 | 241 |

Part of the deposits placed with licensed banks are pledged as security for the bank loans and revolving credit of the Group.

## 12. Assets classified as held for sale

| | Note | Group | |
|---|---|---|---|
| | | 2023 | 2022 |
| | | RM'000 | RM'000 |
| **Assets classified as held for sale** | | | |
| Freehold land | 12.1 | 545 | 545 |

### 12.1 Freehold land

The freehold land is presented as an asset classified as held for sale following the commitment of Tropical Broadway Sdn. Bhd. ("TBSB"), a wholly owned subsidiary to inject the land under an agreement entered with a third-party property developer in 2017 to develop the land into a housing development project. TBSB will provide the land for development whereas the third-party property developer will be responsible to construct and complete the housing development project within two years from the commencement date.

As at 30 June 2023, the approval of building plan for the development project has been obtained. The completion of sale is currently pending the submission of required documents from the third-party property developer to relevant authorities before construction work can commence.

# Notes To The Financial Statements (Continued)

## 13. Capital and reserves

### Share capital

| Group and Company | Number of shares 2023 '000 | Amount 2023 RM'000 | Number of shares 2022 '000 | Amount 2022 RM'000 |
|---|---|---|---|---|
| Issued and fully paid shares with no par value classified as equity instruments: | | | | |
| Ordinary shares: | | | | |
| At 1 July/30 June | 1,417,500 | 177,206 | 1,417,500 | 177,206 |

### Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

### Reserves

### Deficit in business combination

The deficit in business combination arose from the acquisition of the entire equity interest of Econpile (M) Sdn. Bhd. using the reverse acquisition method pursuant to the corporate exercise carried out by the Company in 2014.

### Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of the Group entity with functional currency other than RM.

## 14. Loans and borrowings

| | Note | Group 2023 RM'000 | Group 2022 RM'000 |
|---|---|---|---|
| **Non-current** | | | |
| Bank loans - secured | 14.1 | 18,971 | 26,383 |
| Hire purchase liabilities - unsecured | | 6 | 574 |
| | | 18,977 | 26,957 |
| **Current** | | | |
| Bank loans - secured | 14.1 | 7,418 | 7,420 |
| Bankers' acceptances - unsecured | 14.2 | 40,694 | 49,092 |
| Hire purchase liabilities - unsecured | | 569 | 540 |
| Revolving credit - secured | 14.3 | 43,000 | 28,000 |
| | | 91,681 | 85,052 |
| | | 110,658 | 112,009 |

# Notes To The Financial Statements (Continued)

## 14. Loans and borrowings (Continued)

### 14.1 Bank loans - secured

The bank loans are secured by way of a first legal charge over the corporate office of the Group (see Note 3) and deposits pledged with licensed banks (see Note 11).

### 14.2 Bankers' acceptances - unsecured

The bankers' acceptances of RM40,694,000 (2022: RM49,092,000) are guaranteed by the Company.

### 14.3 Revolving credit - secured

The revolving credit is secured by deposits pledged with licensed banks (see Note 11), subject to interest at 5.36% - 5.48% (2022: 3.99% - 4.32%) per annum and guaranteed by the Company.

## 15. Employee benefits

**Retirement benefits**

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Defined benefit liability | 6,447 | 6,447 |

The Group contributed to a defined benefit plan that provides pension for two Directors of the Group upon their retirement. The plan which is unfunded entitled the two Directors of the Group a lump sum payment equal to the last drawn salary multiplied by the number of years of service of the two Directors. The two Directors are not required to contribute to the plan.

Effective 1 July 2018, the two Directors had voluntarily ceased the contributions to their retirement benefits plan and the retirement benefits liability will remain in the statement of financial position until settlement occurs. The retirement benefits liability has continued to be classified as non-current as the Group does not anticipate settlement of the liability in the next 12 months.

## 16. Trade and other payables

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2023 | 2022 | 2023 | 2022 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| **Trade** | | | | | |
| Trade payables | | 123,370 | 106,524 | - | - |
| **Non-trade** | | | | | |
| Other payables | 16.1 | 11,039 | 12,891 | - | - |
| Accrued expenses | | 6,406 | 4,569 | 201 | 182 |
| | | 17,445 | 17,460 | 201 | 182 |
| | | 140,815 | 123,984 | 201 | 182 |

# Notes To The Financial Statements (Continued)

## 16. Trade and other payables (Continued)

### 16.1 Other payables

Included in other payables is an amount due to certain contract customers for acquisition of investment properties of RM10,350,000 (2022: RM10,350,000).

## 17. Provisions

| | Group Onerous contracts RM'000 |
|---|---|
| At 1 July 2021 | - |
| Provisions made during the year | 5,879 |
| At 30 June 2022/1 July 2022 | 5,879 |
| Provisions made during the year | 568 |
| Provisions utilised during the year | (2,501) |
| At 30 June 2023 | 3,946 |

Provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract with customer is lower than the unavoidable cost of meeting its obligations under the contract.

## 18. Revenue

| | Group | |
|---|---|---|
| | 2023 RM'000 | 2022 RM'000 |
| Revenue from contracts with customers | 375,983 | 366,551 |

### 18.1 Disaggregation of revenue

| Group | 2023 RM'000 | 2022 RM'000 |
|---|---|---|
| **Primary geographical markets** | | |
| Malaysia | 246,250 | 234,302 |
| Cambodia | 129,733 | 132,249 |
| | 375,983 | 366,551 |
| **Major products and services lines** | | |
| Construction contracts | 375,983 | 366,551 |
| **Timing of recognition** | | |
| Over time | 375,983 | 366,551 |

# Notes To The Financial Statements (Continued)

## 18. Revenue (Continued)

### 18.2 Nature of goods and services

The following information reflects the typical transactions of the Group:

| | |
|---|---|
| **Nature of goods or services** | Construction contracts. |
| **Timing of recognition or method used to recognise revenue** | Revenue is recognised over time using the cost incurred method. |
| **Significant payment terms** | Based on agreed milestones, certified by architects. |
| **Variable element in consideration** | The Group may occasionally submit variation orders (for additions or omissions of work) to customers based on actual work performed and may be exposed to liquidated and ascertained damages (“LAD”) which are deducted from contract sum. |
| **Obligation for returns or refunds** | Not applicable. |
| **Warranty** | Generally, defect liability period of between 2 to 5 years is given to customers. |

### 18.3 Transaction price allocated to the remaining performance obligations

The following table shows revenue from performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date.

| | Group RM’000 |
|---|---|
| **2023** | |
| Construction contracts | 410,016 |
| **2022** | |
| Construction contracts | 536,013 |

The above revenue does not include variable consideration.

The remaining performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date will be satisfied over the remaining duration of the contracts of 1 to 3 years.

### 18.4 Significant judgements and assumptions arising from revenue recognition

The Group applied the following judgements and assumptions that significantly affect the determination of the amount and timing of revenue recognised from contracts with customers:

**Variable consideration**

Variation orders are integral and significant parts of contract revenue on certain reimbursable contracts. They can also be present in lump sum contracts. Revenue from variation orders are included only when it is highly probable that the revenue will not be reversed. There is a risk that the actual payment of variation orders may differ from the estimated amount.

**Liquidated and ascertained damages (“LAD”)**

LAD are penalties for not achieving defined milestones on time. LAD are common in construction contracts. If a project does not meet the defined milestone in a contract, a provision reducing the transaction price is made unless it is highly probable that LAD will not be imposed. The estimated LAD provision is highly judgemental and based on experience from similar LAD situations and negotiations with customers in addition to an assessment of client relationship and economic impact.

# Notes To The Financial Statements (Continued)

## 18. Revenue (Continued)

### 18.4 Significant judgements and assumptions arising from revenue recognition (Continued)

**Total contract cost**

The estimates of total contract cost can be judgemental and sensitive to changes. The cost estimates can significantly impact revenue recognition for contracts using cost progress, particularly in lump sum construction contracts. In making these estimates, management relied on professionals' estimates and also on past experience of completed projects. The forecasting of total contract cost depends on the ability to properly execute the design phase, availability of skilled resources, productivity and quality factors, performance of subcontractors and sometimes also weather and soil conditions. A change in the estimates will directly affect the revenue to be recognised.

**Performance obligations**

Significant management judgement is sometimes required in order to identify distinct performance obligations in customer contracts. This includes an analysis of the customer contract to determine if the goods or services are distinct deliveries or inputs to an overall promise to deliver a combined item.

## 19. Cost of sales

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Construction costs | 369,588 | 382,513 |

## 20. Finance income

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income of financial assets calculated using the effective interest method that are at amortised cost: | | | | |
| - deposits placed with licensed banks | 699 | 416 | - | - |
| - advances to subsidiaries | - | - | 3,481 | 3,423 |
| | 699 | 416 | 3,481 | 3,423 |

# Notes To The Financial Statements (Continued)

## 21. Finance costs

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Interest expense of financial liabilities that are not at fair value through profit or loss: | | |
| - bank loans | 1,419 | 1,159 |
| - bankers' acceptances | 2,810 | 2,234 |
| - hire purchase liabilities | 43 | 71 |
| Interest expense on lease liabilities | 74 | 63 |
| Others | 295 | - |
| | 4,641 | 3,527 |

## 22. (Loss)/Profit before tax

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **(Loss)/Profit before tax is arrived at after charging/ (crediting):** | | | | |
| **Auditors' remunerations** | | | | |
| Audit fees | | | | |
| - KPMG PLT | 289 | 243 | 91 | 75 |
| - Overseas affiliate of KPMG Malaysia | 95 | 37 | - | - |
| - Under provision in prior year | 74 | - | - | - |
| Non-audit fees | | | | |
| - KPMG PLT | 10 | 10 | 10 | 10 |
| - Overseas affiliate of KPMG Malaysia | 215 | - | - | - |
| | 683 | 290 | 101 | 85 |

# Notes To The Financial Statements (Continued)

## 22. (Loss)/Profit before tax (Continued)

| | Note | Group 2023 RM'000 | Group 2022 RM'000 | Company 2023 RM'000 | Company 2022 RM'000 |
|---|---|---|---|---|---|
| **(Loss)/Profit before tax is arrived at after charging/ (crediting):** (Continued) | | | | | |
| **Material expenses/(income)** | | | | | |
| Depreciation of property, plant and equipment | 3 | 7,154 | 16,290 | - | - |
| Depreciation of right-of-use assets | 4 | 1,065 | 1,010 | - | - |
| Depreciation of investment properties | 5 | 60 | 70 | - | - |
| Personnel expenses (including key management personnel): | | | | | |
| - Contributions to Employees' Provident Fund | | 2,408 | 2,279 | 15 | 15 |
| - Wages, salaries and others | | 35,543 | 31,567 | 278 | 278 |
| Change in fair value of other investments | | 2,423 | (16) | (16) | (16) |
| Gain on disposal of other investment | | (1,747) | - | - | - |
| Gain on disposal of property, plant and equipment | | (384) | (141) | - | - |
| Gain on disposal of investment property | | (98) | (221) | - | - |
| Net gain on unrealised foreign exchange | | (1,558) | (723) | - | - |
| Net gain on realised foreign exchange | | (1,490) | (1,750) | - | - |
| Gain on disposal of club membership | | (26) | - | - | - |
| Loss on disposal of asset held for sale | | - | 144 | - | - |
| **Expenses arising from leases** | | | | | |
| Expenses relating to short-term leases | a | 10,745 | 7,463 | - | - |
| Rental income from: | | | | | |
| - Machinery | | - | (129) | - | - |
| - Investment properties | | (2) | (4) | - | - |
| Interest expense on lease liabilities | | 74 | 63 | - | - |
| **Net (gain)/loss on impairment of financial instruments** | | | | | |
| Financial assets at amortised cost | | (1,500) | 1,637 | - | - |

**Note a**

The Group leases equipment, machinery and properties on ad hoc basis or with contract terms of 1 year or less. These leases are short-term. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

# Notes To The Financial Statements (Continued)

## 23. Tax expense

### Recognised in profit or loss

| | | Group | | Company | |
|---|---|---|---|---|---|
| | | 2023 | 2022 | 2023 | 2022 |
| | Note | RM'000 | RM'000 | RM'000 | RM'000 |
| **Current tax expense** | | | | | |
| Current year | | 2,354 | 2,888 | 794 | 784 |
| Under provision in prior year | | 211 | 2,807 | - | - |
| Withholding tax | 23.1 | 2,191 | 3,639 | - | - |
| Total income tax expense | | 4,756 | 9,334 | 794 | 784 |
| **Reconciliation of tax expense** | | | | | |
| (Loss)/Profit before tax | | (10,923) | (31,566) | 2,360 | 2,366 |
| Income tax using Malaysian tax rate of 24% | | (2,769) | (7,576) | 566 | 568 |
| Effect of tax rates in foreign jurisdictions | | (222) | (374) | - | - |
| Non-deductible expenses | | 1,530 | 1,450 | 232 | 220 |
| Non-taxable income | | (965) | (765) | (4) | (4) |
| Unrecognised deferred tax assets | | 4,780 | 10,153 | - | - |
| Under provision in prior year | | 211 | 2,807 | - | - |
| Withholding tax | 23.1 | 2,191 | 3,639 | - | - |
| | | 4,756 | 9,334 | 794 | 784 |

### 23.1 Withholding tax

The withholding tax relates to the tax withheld from billings to its foreign subsidiary.

## 24. Basic loss per ordinary share (sen)

The calculation of basic loss per ordinary share was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

| | Group | |
|---|---|---|
| | **2023** | **2022** |
| | **RM'000** | **RM'000** |
| Loss attributable to ordinary shareholders (RM'000) | (15,679) | (40,900) |
| *Weighted average number of ordinary shares ('000)* | | |
| Weighted average number of ordinary shares at 30 June (basic) | 1,417,500 | 1,417,500 |
| Basic loss per ordinary share (sen) | (1.11) | (2.89) |

**Diluted loss per ordinary share**

Diluted loss per ordinary share of the Group is calculated by dividing the loss attributable to ordinary shareholders and the weighted average number of shares in issue and issuable under the warrants. The warrants are excluded from the computation of diluted loss per ordinary shares as the warrants are out-of-the-money and do not have any potential dilutive effect. Thus, the Group's diluted loss per ordinary share at the reporting date is equivalent to its basic loss per ordinary share as disclosed above.

## 25. Operating segment

The Group is predominantly involved in general construction and piling works, which is the only reportable segment. Other non-reportable segments comprise investment holding and operations related to rental of investment properties and machinery, trading of machinery and related accessories. The Group's operations are carried out in Malaysia and Cambodia.

The Chief Executive Officer of the Group (the chief operating decision maker) reviews internal management reports at least on a monthly basis.

Performance is measured based on segment profit, as included in the internal management reports that are reviewed by the Chief Executive Officer of the Group. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of the segments relative to other entities that operate within this industry.

# Notes To The Financial Statements (Continued)

## 25. Operating segment (Continued)

### Segment assets and liabilities

Segment assets and liabilities information is neither included in the internal management reports nor provided regularly to the Chief Executive Officer of the Group. Hence, no disclosure is made on segment assets and liabilities.

Segment capital expenditure is the total costs incurred during the financial year to acquire property, plant and equipment, investment properties and right-of-use assets.

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Total additions to property, plant and equipment | 2,201 | 1,802 |
| Total additions to investment properties | - | 95 |
| Total additions to right-of-use assets | 1,111 | 46 |
| | 3,312 | 1,943 |
| **Segment loss** | (15,679) | (40,900) |
| *Included in the measure of segment loss are:* | | |
| Revenue from external customers | 375,983 | 366,551 |
| Depreciation of property, plant and equipment, right-of-use assets and investment properties | (8,279) | (17,370) |
| Net gain/(loss) on impairment of financial instruments | 1,500 | (1,637) |
| *Not included in the measure of segment loss but provided to Chief Executive Officer:* | | |
| Net finance costs | (3,942) | (3,111) |

No reconciliation is performed for reportable segment revenue, profit and depreciation to consolidated figures as there are no differences except for the following:

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| **Net finance costs** | | |
| Finance income | 699 | 416 |
| Finance costs | (4,641) | (3,527) |
| Consolidated net finance costs | (3,942) | (3,111) |

### Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. The amounts of non-current assets do not include financial instruments and deferred tax assets.

# Notes To The Financial Statements (Continued)

## 25. Operating segment (Continued)

### Geographical segments (Continued)

| | Group | |
|---|---|---|
| | External revenue | Non-current assets |
| | RM'000 | RM'000 |
| **Geographical information** | | |
| **2023** | | |
| Malaysia | 246,250 | 36,955 |
| Cambodia | 129,733 | 1,763 |
| | 375,983 | 38,718 |
| **2022** | | |
| Malaysia | 234,302 | 37,906 |
| Cambodia | 132,249 | 2,375 |
| | 366,551 | 40,281 |

### Major customer

The following are the major customers with revenue equal or more than 10% of the Group's total revenue:

| | Revenue | | Segment |
|---|---|---|---|
| | 2023 | 2022 | |
| | RM'000 | RM'000 | |
| All common control companies of: | | | |
| Customer A | 129,733 | 132,249 | General construction and pilling work |
| Customer B | 47,255 | 73,592 | General construction and pilling work |

# Notes To The Financial Statements (Continued)

## 26. Financial instruments

### 26.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

(a) Fair value through profit or loss ("FVTPL");
- Mandatorily required by MFRS 9
- Designated upon initial recognition ("DUIR")

(b) Amortised cost ("AC")

| | Carrying amount RM'000 | Mandatorily at FVTPL RM'000 | FVTPL - DUIR RM'000 | AC RM'000 |
|---|---|---|---|---|
| **2023** | | | | |
| **Financial assets** | | | | |
| **Group** | | | | |
| Other investments | 1,124 | 1,051 | 73 | - |
| Trade and other receivables | 424,822 | - | - | 424,822 |
| Cash and cash equivalents | 45,176 | - | - | 45,176 |
| | 471,122 | 1,051 | 73 | 469,998 |
| **Company** | | | | |
| Other investments | 1,051 | 1,051 | - | - |
| Trade and other receivables | 93,847 | - | - | 93,847 |
| Cash and cash equivalents | 122 | - | - | 122 |
| | 95,020 | 1,051 | - | 93,969 |
| **Financial liabilities** | | | | |
| **Group** | | | | |
| Loans and borrowings | (110,658) | - | - | (110,658) |
| Trade and other payables | (140,815) | - | - | (140,815) |
| | (251,473) | - | - | (251,473) |
| **Company** | | | | |
| Trade and other payables | (201) | - | - | (201) |

# Notes To The Financial Statements (Continued)

## 26. Financial instruments (Continued)

### 26.1 Categories of financial instruments (Continued)

| | Carrying amount RM'000 | Mandatorily at FVTPL RM'000 | AC RM'000 |
|---|---|---|---|
| **2022** | | | |
| **Financial assets** | | | |
| **Group** | | | |
| Other investments | 1,035 | 1,035 | - |
| Trade and other receivables | 435,038 | - | 435,038 |
| Cash and cash equivalents | 51,920 | - | 51,920 |
| | 487,993 | 1,035 | 486,958 |
| **Company** | | | |
| Other investments | 1,035 | 1,035 | - |
| Trade and other receivables | 92,196 | - | 92,196 |
| Cash and cash equivalents | 241 | - | 241 |
| | 93,472 | 1,035 | 92,437 |
| **Financial liabilities** | | | |
| **Group** | | | |
| Loans and borrowings | (112,009) | - | (112,009) |
| Trade and other payables | (123,984) | - | (123,984) |
| | (235,993) | - | (235,993) |
| **Company** | | | |
| Trade and other payables | (182) | - | (182) |

### 26.2 Net gains and losses arising from financial instruments

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 RM'000 | 2022 RM'000 | 2023 RM'000 | 2022 RM'000 |
| Net gains/(losses) on: | | | | |
| Fair value through profit or loss: | | | | |
| - Mandatorily required by MFRS 9 | 16 | 16 | 16 | 16 |
| - Designated upon initial recognition | (692) | - | - | - |
| Financial assets at amortised cost | 5,247 | 1,252 | 3,481 | 3,423 |
| Financial liabilities at amortised cost | (4,567) | (3,464) | - | - |
| | 4 | (2,196) | 3,497 | 3,439 |

## 26. Financial instruments (Continued)

### 26.3 Financial risk management

The Group has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

### 26.4 Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and investment in unit trusts. The Company's exposure to credit risk arises principally from its investment in unit trusts, advances to subsidiaries and financial guarantees given to banks and suppliers for credit facilities granted to a subsidiary. There are no significant changes as compared to previous year.

*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers.

At each reporting date, the Group assesses whether any of the trade receivables and contract assets are credit impaired.

The gross carrying amount of credit impaired trade receivables and contract assets are written off (either partially or in full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

There are no significant changes as compared to previous year.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by their carrying amounts in the statement of financial position.

**Trade receivables and contract assets**

*Concentration of credit risk*

The Group has 25 (2022: 20) ongoing projects at various stages of completion as at the end of the reporting period. Concentration of credit risk with respect to trade receivables and contract assets are limited except for three (2022: three) customers which accounted for 48% (2022: 48%) of trade receivables (including retention sums) and contract assets as at the end of the reporting period.

The exposure of credit risk for trade receivables and contract assets as at the end of the reporting period by geographic region was:

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| Domestic | 510,684 | 512,123 |
| Cambodia | 32,736 | 28,152 |
| | 543,420 | 540,275 |

# Notes To The Financial Statements (Continued)

## 26. Financial instruments (Continued)

### 26.4 Credit risk (Continued)

**Trade receivables and contract assets** (Continued)

*Recognition and measurement of impairment loss*

In managing the credit risk of trade receivables, the Group manages its debtors and takes appropriate actions (including but not limited to legal actions) to recover long overdue balances. Generally, trade receivables will pay within 120 days. The Group's debt recovery process includes debt above 120 days past due after credit term, whereby the Group will start to initiate a debt recovery process which is monitored by the management team.

The Group assessed the risk of loss of each customer individually based on their financial information, past trend of payments and external credit ratings, where applicable.

The following table provides information about exposure to credit risk for trade receivables and contract assets which are grouped together as they are expected to have similar risk nature:

| Group | Gross carrying amount RM'000 | Loss allowance RM'000 | Net balances RM'000 |
|---|---|---|---|
| **2023** | | | |
| Not past due | 281,228 | - | 281,228 |
| Past due 1 - 60 days | 34,483 | - | 34,483 |
| Past due 61 - 120 days | 23,296 | - | 23,296 |
| Past due more than 120 days | 204,413 | - | 204,413 |
| | 543,420 | - | 543,420 |
| **Credit impaired** | | | |
| Individually impaired | 6,980 | (6,980) | - |
| | 550,400 | (6,980) | 543,420 |
| Trade receivables | 420,787 | (6,980) | 413,807 |
| Contract assets | 129,613 | - | 129,613 |
| | 550,400 | (6,980) | 543,420 |
| **2022** | | | |
| Not past due | 266,072 | - | 266,072 |
| Past due 1 - 60 days | 35,975 | - | 35,975 |
| Past due 61 - 120 days | 70,422 | - | 70,422 |
| Past due more than 120 days | 167,806 | - | 167,806 |
| | 540,275 | - | 540,275 |
| **Credit impaired** | | | |
| Individually impaired | 23,775 | (23,775) | - |
| | 564,050 | (23,775) | 540,275 |
| Trade receivables | 450,876 | (23,775) | 427,101 |
| Contract assets | 113,174 | - | 113,174 |
| | 564,050 | (23,775) | 540,275 |

# Notes To The Financial Statements (Continued)

## 26. Financial instruments (Continued)

### 26.4 Credit risk (Continued)

**Trade receivables and contract assets** (Continued)

*Recognition and measurement of impairment loss* (Continued)

The movements in the allowance for impairment in respect of trade receivables during the financial year are shown below.

| | Trade receivables Credit impaired RM'000 |
|---|---|
| **Group** | |
| Balance at 1 July 2021 | 22,138 |
| Net remeasurement of loss allowance | 1,637 |
| Balance at 30 June 2022/1 July 2022 | 23,775 |
| Amounts written off | (15,295) |
| Net remeasurement of loss allowance | (1,500) |
| Balance at 30 June 2023 | 6,980 |

As at 30 June 2023, RM15,295,000 (2022: Nil) of trade receivables were written off during the financial year but they are still subject to enforcement activity.

**Other investments**

*Risk management objectives, policies and processes for managing the risk*

Investments are allowed only in liquid securities and only with counterparties that have a credit rating equal to or better than the Group.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the Group has invested in domestic securities which include unit trust and quoted shares. The maximum exposure to credit risk is represented by the carrying amount in the statement of financial position.

In view of the sound credit rating of counterparties, management does not expect any counterparty to fail to meet their obligations.

**Cash and cash equivalents**

The cash and cash equivalents are held with licensed banks. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position.

These licensed banks have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

# Notes To The Financial Statements (Continued)

## 26. Financial instruments (Continued)

### 26.4 Credit risk (Continued)

**Financial guarantees**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured financial guarantees to banks and suppliers in respect of banking facilities and credit terms granted to a subsidiary.

The Company monitors on an ongoing basis the results of the subsidiary and repayment made by the subsidiary.

*Exposure to credit risk, credit quality and collateral*

The maximum exposure to credit risk of the Company amounts to RM97,527,000 (2022: RM89,726,000) as at the end of the reporting period.

*Recognition and measurement of impairment loss*

As at the end of the reporting period, the probability of default by the subsidiary is low and no allowance of impairment is recognised.

The financial guarantees of the Company have not been recognised since the fair value on initial recognition was not material.

**Inter-company advances**

*Risk management objectives, policies and processes for managing the risk*

The Company provides unsecured advances to subsidiaries. The Company monitors the results of the subsidiaries regularly.

*Exposure to credit risk, credit quality and collateral*

As at the end of the reporting period, the maximum exposure to credit risk is represented by its carrying amount in the statement of financial position.

Advances provided are not secured by any collateral or supported by any other credit enhancements.

*Recognition and measurement of impairment loss*

Generally, the Company considers advances to subsidiaries have low credit risk. The Company assumes that there is a significant increase in credit risk when a subsidiary's financial position deteriorates significantly. As the Company is able to determine the timing of payments of the subsidiaries' advances when they are payable, the Company considers the advances to be in default when the subsidiaries are not able to pay when demanded. The Company considers a subsidiary's advances to be credit impaired when:

- The subsidiary is unlikely to repay its advances to the Company in full;
- The subsidiary's advance is overdue for more than 365 days; or
- The subsidiary is continuously loss making and having deficit shareholders' fund.

The Company determines the probability of default for these advances individually using internal information available.

As at the end of the reporting period, there was no indication that these advances to subsidiaries are not recoverable. As these amounts are considered to have low credit risk, the Company is of the view that the loss allowance is not material and hence, it is not provided for.

# Notes To The Financial Statements (Continued)

## 26. Financial instruments (Continued)

### 26.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables, loans and borrowings and lease liabilities.

The Group maintains a level of cash and cash equivalents and banking facilities deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

*Maturity analysis*

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| Group | Carrying amount RM'000 | Contractual interest rate/ Discount rate % | Contractual cash flows RM'000 | Under 1 year RM'000 | 1 - 2 years RM'000 | 2 - 5 years RM'000 | More than 5 years RM'000 |
|---|---|---|---|---|---|---|---|
| **2023** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | 140,815 | - | 140,815 | 140,815 | - | - | - |
| Bank loans - secured | 26,389 | 3.81 - 4.50 | 28,597 | 8,365 | 8,070 | 11,006 | 1,156 |
| Bankers' acceptances - unsecured | 40,694 | 3.86 - 4.22 | 40,694 | 40,694 | - | - | - |
| Hire purchase liabilities - unsecured | 575 | 2.58 - 2.78 | 589 | 583 | 6 | - | - |
| Lease liabilities | 1,360 | 4.00 - 5.90 | 1,448 | 768 | 305 | 375 | - |
| Revolving credit - secured | 43,000 | 5.36 - 5.48 | 43,000 | 43,000 | - | - | - |
| | 252,833 | | 255,143 | 234,225 | 8,381 | 11,381 | 1,156 |
| **2022** | | | | | | | |
| *Non-derivative financial liabilities* | | | | | | | |
| Trade and other payables | 123,984 | - | 123,984 | 123,984 | - | - | - |
| Bank loans - secured | 33,803 | 3.75 - 4.07 | 37,132 | 8,650 | 8,354 | 18,811 | 1,317 |
| Bankers' acceptances - unsecured | 49,092 | 2.39 - 3.42 | 49,092 | 49,092 | - | - | - |
| Hire purchase liabilities - unsecured | 1,114 | 2.58 - 2.78 | 1,172 | 583 | 583 | 6 | - |
| Lease liabilities | 1,269 | 3.75 - 4.98 | 1,302 | 877 | 425 | - | - |
| Revolving credit - secured | 28,000 | 3.99 - 4.32 | 28,000 | 28,000 | - | - | - |
| | 237,262 | | 240,682 | 211,186 | 9,362 | 18,817 | 1,317 |

# Notes To The Financial Statements (Continued)

## 26. Financial instruments (Continued)

### 26.5 Liquidity risk (Continued)

*Maturity analysis* (Continued)

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

| Company | Carrying amount RM'000 | Contractual interest rate % | Contractual cash flows RM'000 | Under 1 year RM'000 |
|---|---|---|---|---|
| **2023** | | | | |
| *Non-derivative financial liabilities* | | | | |
| Trade and other payables | 201 | - | 201 | 201 |
| Financial guarantees | - | - | 97,527 | 97,527 |
| | 201 | | 97,728 | 97,728 |
| **2022** | | | | |
| *Non-derivative financial liabilities* | | | | |
| Trade and other payables | 182 | - | 182 | 182 |
| Financial guarantees | - | - | 89,726 | 89,726 |
| | 182 | | 89,908 | 89,908 |

### 26.6 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows. The Group is not significantly exposed to other price risk.

### 26.6.1 Interest rate risk

The Group's fixed rate loans and borrowings are exposed to a risk of change in their fair values due to changes in interest rates. The Group's variable rate loans and borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short term other investments, receivables and payables are not significantly exposed to interest rate risk.

*Risk management objectives, policies and processes for managing the risk*

Interest rate exposure arising from the Group's loans and borrowings are managed through the use of fixed and floating rate debts. The Group does not use derivative financial instruments to hedge its debt obligations.

# Notes To The Financial Statements (Continued)

## 26. Financial instruments (Continued)

### 26.6 Market risk (Continued)

### 26.6.1 Interest rate risk (Continued)

*Exposure to interest rate risk*

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

| | Group | |
|---|---|---|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| **Fixed rate instruments** | | |
| Financial assets | 7,422 | 5,281 |
| Financial liabilities | (85,629) | (79,475) |
| | (78,207) | (74,194) |
| **Floating rate instruments** | | |
| Financial liabilities | (26,389) | (33,803) |

| | Company | |
|---|---|---|
| | 2023 | 2022 |
| | RM'000 | RM'000 |
| **Fixed rate instruments** | | |
| Financial assets | 93,842 | 92,191 |

*Interest rate risk sensitivity analysis*

*Fair value sensitivity analysis for fixed rate instruments*

The Group and the Company do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the end of the reporting period would not affect profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

A change of 30 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) post-tax profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant.

| | Group | |
|---|---|---|
| | 30 bps increase | 30 bps decrease |
| | RM'000 | RM'000 |
| **2023** | | |
| Floating rate instruments | (60) | 60 |
| **2022** | | |
| Floating rate instruments | (77) | 77 |

# Notes To The Financial Statements (Continued)

## 26. Financial instruments (Continued)

### 26.7 Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables and short term loans and borrowings reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amounts of hire purchase liabilities also approximate their fair values upon discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liabilities.

The table below analyses other financial instruments at fair value.

| Group<br>2023 | Fair value of financial instruments carried at fair value<br>Level 1<br>RM'000 | Fair value of financial instruments carried at fair value<br>Level 2<br>RM'000 | Fair value of financial instruments not carried at fair value<br>Level 3<br>RM'000 | Total fair value<br>RM'000 | Carrying amount<br>RM'000 |
|---|---|---|---|---|---|
| **Financial assets** | | | | | |
| Other investments | 73 | 1,051 | - | 1,124 | 1,124 |
| **Financial liabilities** | | | | | |
| Bank loans - secured | - | - | (25,909) | (25,909) | (26,389) |
| **2022** | | | | | |
| **Financial assets** | | | | | |
| Other investments | - | 1,035 | - | 1,035 | 1,035 |
| **Financial liabilities** | | | | | |
| Bank loans - secured | - | - | (33,282) | (33,282) | (33,803) |
| **Company** | | | | | |
| **2023** | | | | | |
| **Financial assets** | | | | | |
| Other investments | - | 1,051 | - | 1,051 | 1,051 |
| **2022** | | | | | |
| **Financial assets** | | | | | |
| Other investments | - | 1,035 | - | 1,035 | 1,035 |

# Notes To The Financial Statements (Continued)

## 26. Financial instruments (Continued)

### 26.7 Fair value information (Continued)

**Level 1 fair value**

*Other investments*

Level 1 fair value is derived from quoted price (unadjusted) in active markets for identical financial assets and liabilities that the Group can access at the measurement date.

**Level 2 fair value**

*Other investments*

The fair value of investments in unit trusts is determined based on daily net assets value as stipulated in the statements provided by the fund managers of the unit trusts.

*Transfers between Level 1 and Level 2 fair values*

There has been no transfer between Level 1 and Level 2 fair values during the financial year (2022: no transfer in either directions).

**Level 3 fair value**

The following table shows the valuation technique used in the determination of fair value within Level 3, as well as the significant unobservable inputs used in the valuation model.

**Financial instruments not carried at fair value**

| Type | Description of valuation technique and inputs used |
|---|---|
| Bank loans | Discounted cash flows using a rate based on the current market rate of similar borrowings at the reporting date. |

**Valuation process applied by the Group for Level 3 fair value**

The Group has applied discounted cash flows valuation technique in the determination of fair values within Level 3. The accounts department has overall responsibility for overseeing all significant fair value measurements, including Level 3 fair values.

# Notes To The Financial Statements (Continued)

## 27. Capital management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants. The debt-to-equity ratio is calculated as total debts divided by total equity. The Group includes within total debts, loans and borrowings and lease liabilities.

The debt covenants pertain to a subsidiary. The subsidiary is required to maintain a certain debt-to-equity ratio to comply with the debt covenants, failing which, the bank may call an event of default. The subsidiary is in compliance with the covenants as at the end of the reporting period.

There was no change in the Group's approach to capital management during the financial year.

## 28. Contingencies

The Directors are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required or the amount is not capable of reliable measurement.

### 28.1 Contingent liabilities not considered remote

| | Group | | Company | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Guarantees given to contract customers in relation to construction contracts | 54,203 | 53,556 | 10,397 | 12,284 |

# Notes To The Financial Statements (Continued)

## 28. Contingencies (Continued)

### 28.2 Material litigations

a) In March 2019, a subsidiary of the Group, Econpile (M) Sdn. Bhd. ("EMSB") issued a Notice of Determination to a customer on the grounds that the customer had interfered with or obstructed the issuance of interim certificates in respect of EMSB's progress claims for the cost of work performed of RM80.1 million; the customer had failed to issue the relevant interim certificates within 30 days from the date of receipt of EMSB's progress claims and to make payment of the same within the period of honouring certificates.

The Group initiated various legal actions against the customer to recover the value of work performed. Some of the significant legal actions are as follows:-

*(i) First Adjudication*

In March 2019, EMSB initiated the first adjudication proceeding against the customer in accordance with the Construction Industry Payment and Adjudication Act 2012 to recover the progress claims no. 15 to 23 and the customer was ordered to make payment of RM59.8 million (excluding costs and interest) to EMSB. EMSB successfully enforced the adjudication decision as if it is an order or judgement of the High Court.

Following that, the customer filed appeals to the Court of Appeal against the High Court order which enforced the Adjudication Decision ("Enforcement Order"). The Court of Appeal allowed a stay of the Adjudication Decision pending disposal of an arbitration proceedings between the parties ("COA Stay Order"). EMSB filed a leave application to the Federal Court for leave to appeal against the COA Stay Order and the leave was granted on 3 January 2023.

On 3 October 2023, the Federal Court has allowed EMSB's appeal against the Court of Appeal's decision with costs of RM50,000 payable by the customer to EMSB.

*(ii) Second Adjudication*

In May 2019, EMSB filed for a second adjudication against the customer on the same grounds as the first adjudication for progress claims no. 25 to 26. In September 2019, the Adjudicator delivered the decision in favour of EMSB's claim of RM5.9 million (excluding costs and interests) to EMSB. EMSB successfully enforced the Adjudication Decision as if it is an order or judgement of the High Court.

Similar to the First Adjudication, the customer filed appeals to the Court of Appeal against the High Court Orders which enforced the Adjudication Decision and the Court of Appeal dismissed the customer's applications to set aside and/or stay the Adjudication Decision.

On 13 April 2023, the Federal Court has granted leave to the customer to appeal against the Court of Appeal's decision.

On 3 October 2023, the Federal Court dismissed the customer's appeal against the Court of Appeal's decision with costs of RM50,000 payable by the customer to EMSB.

# Notes To The Financial Statements (Continued)

## 28. Contingencies (Continued)

### 28.2 Material litigations (Continued)

a) *(iii) Writ of Seizure and Sale*

Notwithstanding the Enforcement Order, the customer refused to make any payment to EMSB. Consequently, EMSB made a writ of seizure and sale (WSS) application to the High Court. EMSB obtained a Prohibitory Order (PO) to prohibit the customer to deal with a piece of land it owned and filed an Order for Sale of the land. The customer applied to set aside the PO with the High Court, High Court Judge in Chambers and Court of Appeal but all of them have dismissed the appeals.

At the same time, EMSB filed an application for Public Auction date which was fixed on 5 July 2022. The customer filed an application to stay EMSB's Public Auction date application pending the disposal of the earlier appeals. The Public Auction date was subsequently vacated due to the COA Stay Order in the first adjudication.

Upon the Public Auction date having been vacated, EMSB proceeded to file an application for the extension of the PO. At the same time, the customer also filed an application to set aside the PO in light of the COA Stay Order. On 24 August 2022, the Registrar dismissed EMSB's application to extend the PO. However, the Registrar also dismissed the customer's application to set aside the PO. Instead, the Registrar has ordered for the WSS and the PO to be stayed based on the COA Stay Order. Both parties have filed few appeals against the Registrar's decisions to the High Court Judge in Chambers and the hearing of the appeals is fixed for 14 December 2023.

On 10 October 2023, the High Court has allowed EMSB's application to extend the PO until 12 April 2024. Subsequently, EMSB filed an application to fix a new auction date for the land and the hearing date is fixed for 11 December 2023.

*(iv) Writ of Seizure and Sale (2)*

Notwithstanding the High Court order on the second adjudication, the customer refused to make any payment to EMSB. Similar to the first adjudication, EMSB made a writ of seizure and sale (WSS) application to the High Court. The customer has also obtained a Prohibitory Order on the land it owned until 29 February 2024 to prevent EMSB from auctioning it.

Following that, EMSB has filed an application for an Order for Sale against the land whilst the customer has filed an application to set aside and/or strike out the WSS and PO. During the hearing on 17 October 2023, the customer's Notice of Application dated 30 December 2022 was dismissed and EMSB's Notice of Application dated 30 November 2022 was allowed and with auction date fixed for 6 December 2023.

# Notes To The Financial Statements (Continued)

## 28. Contingencies (Continued)

### 28.2 Material litigations (Continued)

a) *(v) Arbitration*

At the same time, EMSB also initiated an arbitration against the customer with the Asian International Arbitration Centre in March 2019. EMSB submitted its points of claim amounting to RM169 million for value of work performed, variations and claims for loss, expense and damages incurred. On the other hand, the customer counter claimed against EMSB for an amount of RM211 million. The hearing is in progress, with the dates fixed from November 2023 to August 2024.

Based on the opinion of the solicitors, the Directors are of the view that the Group has a good chance of succeeding in its claim and defending the counterclaim by the customer.

*(vi) Preservation of Assets*

EMSB has also filed an Originating Summons to preserve the customer's assets but was dismissed by the High Court. Subsequently, EMSB filed a Notice of Appeal to the Court of Appeal. The hearing of appeal on 9 October 2023 has been adjourned. The next case management is fixed for 19 October 2023 to fix the new hearing date.

b) An external party issued a letter of demand against the developer, the main contractor and EMSB (as sub-contractor) for loss and damages amounting to RM4.08 million due to the ongoing construction work at the project site which is adjacent to the tuition centre operated by the external party.

In April 2022, the external party filed and application to amend the Writ of Summons and Statement of Claim to delete sum claimed of RM4.08 million and amend it to 'damages to be assessed by the honourable Court' which was allowed by the Court. The next case management meeting is fixed on 12 February 2024 and the hearing is fixed on 26 February 2024 for the parties to update the Court on filing of all papers for full trial.

In the Directors' opinion, as the case is still in the initial stage, the Group is unable to estimate and determine the potential outcome of the case at this juncture and will continue to monitor the case closely.

## 29. Related parties

**Identity of related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors and certain members of senior management of the Group.

The Group has related party relationship with its subsidiaries and key management personnel.

# Notes To The Financial Statements (Continued)

## 29. Related parties (Continued)

### Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. The significant related party transactions of the Group and of the Company are shown below. The balances related to the below transactions are shown in Note 9.

| | Transaction amounts for the year ended 30 June | | | |
|---|---|---|---|---|
| | Group | | Company | |
| | 2023 | 2022 | 2023 | 2022 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| **A. Subsidiaries** | | | | |
| Interest income | - | - | (3,481) | (3,423) |
| **B. Key management personnel** | | | | |
| ***Directors*** | | | | |
| - Fees | 240 | 195 | 240 | 195 |
| - Remuneration | 2,108 | 1,877 | 333 | 321 |
| | 2,348 | 2,072 | 573 | 516 |
| ***Other key management personnel*** | | | | |
| - Remuneration | 1,506 | 1,316 | - | - |

The estimated monetary value of Directors' benefit-in-kind of the Group is RM 55,000 (2022: RM59,000).

# Statement by Directors

## pursuant to Section 251(2) of the Companies Act 2016

In the opinion of the Directors, the financial statements set out on pages 53 to 110 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2023 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

**The Cheng Eng**
Director

**Pang Sar**
Director

Kuala Lumpur,

Date: 18 October 2023

# Statutory Declaration

## pursuant to Section 251(1)(b) of the Companies Act 2016

I, **Lau Kent Lit @ Loh Kent Lit**, the officer primarily responsible for the financial management of Econpile Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 53 to 110 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the declaration to be true, and by virtue of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by the abovenamed Lau Kent Lit @ Loh Kent Lit, MIA CA 33683, in Kuala Lumpur in the Federal Territory on 18 October 2023.

**Lau Kent Lit @ Loh Kent Lit**

Before me:

# Independent Auditors' Report

To The Members Of Econpile Holdings Berhad

## Report on the Audit of the Financial Statements

## Opinion

We have audited the financial statements of Econpile Holdings Berhad, which comprise the statements of financial position as at 30 June 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 53 to 110.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 30 June 2023, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

## Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our auditors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

*Independence and Other Ethical Responsibilities*

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### i) Revenue and profit recognition from construction contracts

Refer to Note 2(n)(i) - Significant accounting policy: Revenue and other income - Construction contracts and Note 18 - Revenue.

**The key audit matter**

The Group has recorded revenue from construction contracts of RM375,983,000 for the financial year ended 30 June 2023.

Construction contract accounting is identified as a key audit matter due to significant judgements involved in estimating the costs to complete the projects. Revenue from construction contracts is recognised overtime based on the proportion that contract cost incurred for the work performed to date bear to the estimated total contract costs while the cost of sales is recognised as an expense in profit or loss in the accounting periods in which the work is performed.

A change in the estimated costs to complete the contracts could result in a material variance in the revenue recognised to date and in the current period. This may have an individually and collectively significant impact on the financial statements.

# Independent Auditors' Report (Continued)

To The Members Of Econpile Holdings Berhad

## Key Audit Matters (Continued)

### i) Revenue and profit recognition from construction contracts (Continued)

**The key audit matter** (Continued)

The key judgements over construction contract accounting arise from the following:

- Estimated costs to complete the contracts;
- The ability to deliver the contract works within the contractual timelines and whether there is any exposure to liquidated and ascertained damages; and
- Provision for onerous contracts due to potential cost overrun.

**How the matter was addressed in our audit**

Our audit procedures include, among others:

- Assessed the design and implementation of key controls over the recognition of contract revenue and estimation of costs to complete and tested these controls for operating effectiveness;
- Challenged the Group's key assumptions in the estimated costs to complete by performing the following procedures, among others;
    - Checked the estimated cost to complete to supporting documentation such as approved budgets, contracts and variation orders with sub-contractors; and
    - Corroborated the stage of completion and extent of costs incurred to date by comparing to external quantity surveyors' report.
- Assessed the timing to complete existing projects through corroborative discussion with finance and operational units and review of project correspondences with contract customers;
- Evaluated the merits of extension of time application submitted to the contract customers to assess the exposure to liquidated and ascertained damages by inspecting relevant correspondences, including on-going negotiations with contract customers for the late delivery of contract works; and
- Assessed the adequacy of the provision for onerous contracts for contracts with cost overrun.

### ii) Valuation of trade receivables (including retention sum) and contract assets

Refer to Note 2(j)(i) - Significant accounting policy: Impairment - financial assets, Note 9 - Trade and other receivables, Note 10 - Contract assets, Note 26.4 - Financial Instruments - Credit risk - Trade receivables and contract assets and Note 28 - Contingencies.

**The key audit matter**

The Group has significant trade receivables (including retention sum) and contract assets as at 30 June 2023 of RM413,807,000 and RM129,613,000, respectively. Included in contract assets is an amount of RM80,100,000 related to a construction contract with a customer which is under litigation.

The Group has assessed the allowance for impairment loss of trade receivables (including retention sums) and contract assets on an individual basis. We identified the valuation of trade receivables (including retention sum) and contract assets as a key audit matter due to significant judgement and the level of uncertainty involved in assessing customer's specific conditions and credit history.

# Independent Auditors' Report (Continued)

To The Members Of Econpile Holdings Berhad

## Key Audit Matters (Continued)

### ii) Valuation of trade receivables (including retention sum) and contract assets (Continued)

**How the matter was addressed in our audit**

Our audit procedures included, among others:

- Checked the Expected Credit Loss ("ECL") model developed by the Group for compliance with the requirements of MFRS 9 Financial Instruments;
- Checked the accuracy of trade receivables ageing;
- Assessed the adequacy of impairment loss provided by the Group by evaluating past 12 month's collection trend from contract customers as well as collection subsequent to the end of reporting period and inquired management of their assessment;
- For all retention sums that were due, assessed the recoverability of the balance by inspecting correspondences and assessing the past payment trend of the contract customers and inquired management of their assessment; and
- Inspected subsequent approved progress billings from contract customers to assess the recoverability of contract assets.
- For contract assets under litigation, performed the following procedures, among others:
    - Inquired management of the status and their assessment of contract asset under litigations which was reviewed and noted by the audit and risk management committee;
    - Obtained the status of contract asset under litigations and relevant legal opinions from external legal counsel; and
    - Assessed the adequacy of the Group's disclosures made in respect of litigations.

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to communicate in our auditors' report.

## Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the annual report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the annual report and, in doing so, consider whether the annual report is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of the annual report, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

# Independent Auditors' Report (Continued)

To The Members Of Econpile Holdings Berhad

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Group and of the Company.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that gives a true and fair view.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditors' report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

# Independent Auditors' Report (Continued)

**To The Members Of Econpile Holdings Berhad**

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors is disclosed in Note 6 to the financial statements.

## Other Matter

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**KPMG PLT**
(LLP0010081-LCA & AF 0758)
Chartered Accountants

**Chan Chee Keong**
Approval Number: 03175/04/2025 J
Chartered Accountant

Petaling Jaya, Selangor

Date: 18 October 2023

# Analysis Of Shareholdings

As At 29 September 2023

| | | |
|---|---|---|
| Total Number of Issued Shares | : | 1,417,500,025 |
| Class of Shares | : | Ordinary Shares |
| Voting Right | : | One vote per ordinary share |

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | Total Shareholdings | % |
|---|---|---|---|
| Less than 100 shares | 104 | 3,939 | 0.001 |
| 100 to 1,000 shares | 660 | 402,985 | 0.028 |
| 1,001 to 10,000 shares | 3,460 | 21,734,287 | 1.533 |
| 10,001 to 100,000 shares | 3,666 | 131,762,589 | 9.295 |
| 100,001 to less than 5% of issued shares | 771 | 767,913,095 | 54.174 |
| 5% and above of issued shares | 3 | 495,683,130 | 34.969 |
| **Total** | **8,664** | **1,417,500,025** | **100.000** |

## SUBSTANTIAL SHAREHOLDERS

According to the Register of Substantial Shareholders the following are the substantial shareholders of the Company:

| | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| Shareholders | No. of Shares | % | No. of Shares | % |
| The Cheng Eng | 349,933,118 | 24.69 | 380,000* | 0.03 |
| Pang Sar | 277,000,012 | 19.54 | - | - |
| Employees Provident Fund Board | 118,368,500 | 8.35 | - | - |

Notes:-

* Deemed interest by virtue of his child's direct interest pursuant to Section 59 of the Companies Act 2016.

## DIRECTORS' SHAREHOLDINGS

| | Direct Interest | | Indirect Interest | |
|---|---|---|---|---|
| Directors | No. of Shares | % | No. of Shares | % |
| The Cheng Eng | 349,933,118 | 24.69 | 380,000* | 0.03 |
| Pang Sar | 277,000,012 | 19.54 | - | - |
| The Kun Ann | 250,000 | 0.02 | - | - |
| Krishnan A/L C K Menon | 250,000 | 0.02 | - | - |
| Teh Bee Choo | - | - | - | - |
| Law Siew Ngan | - | - | - | - |
| Dato' Rosli Bin Mohamed Nor (resigned on 18 October 2023) | - | - | - | - |

Notes:-

* Deemed interested by virtue of his child's direct interest pursuant to Section 59 of the Companies Act 2016.

# Analysis Of Shareholdings (Continued)

As At 29 September 2023

## LIST OF 30 LARGEST SHAREHOLDERS AS AT 29 SEPTEMBER 2023

| NO. | NAME | HOLDINGS | % |
|---|---|---|---|
| 1 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>UBS AG SINGAPORE FOR THE CHENG ENG | 250,000,000 | 17.637 |
| 2 | PANG SAR | 170,750,012 | 12.046 |
| 3 | THE CHENG ENG | 74,933,118 | 5.286 |
| 4 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (ASIANISLAMIC) | 38,417,500 | 2.710 |
| 5 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (PRINCIPAL EQITS) | 36,839,200 | 2.599 |
| 6 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR PANG SAR | 29,000,000 | 2.046 |
| 7 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB FOR PANG SAR (PB) | 28,624,500 | 2.019 |
| 8 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (ABERDEEN) | 26,918,600 | 1.899 |
| 9 | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (MEF) | 26,832,350 | 1.893 |
| 10 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB FOR THE CHENG ENG (PB) | 25,000,000 | 1.764 |
| 11 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR PANG SAR (THIRD PARTY) | 19,750,000 | 1.393 |
| 12 | CIMSEC NOMINEES (TEMPATAN) SDN BHD<br>CIMB BANK FOR PANG SAR (PB-0J0028) | 16,375,500 | 1.155 |
| 13 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (CPIAM EQ) | 13,200,000 | 0.931 |
| 14 | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (P) | 13,048,550 | 0.920 |
| 15 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (RHBISLAMIC) | 12,597,000 | 0.889 |
| 16 | KENANGA NOMINEES (TEMPATAN) SDN BHD<br>PLEDGED SECURITIES ACCOUNT FOR PANG SAR (THIRD PARTY) | 12,500,000 | 0.882 |
| 17 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (AM INV) | 10,700,000 | 0.755 |
| 18 | UOBM NOMINEES (TEMPATAN) SDN BHD<br>UOB ISLAMIC ASSET MANAGEMENT SDN BHD FOR LEMBAGA TABUNG HAJI | 9,867,500 | 0.696 |
| 19 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (F TEMPLETON) | 8,747,900 | 0.617 |
| 20 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ABERDEEN) | 7,994,900 | 0.564 |
| 21 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>EMPLOYEES PROVIDENT FUND BOARD (PHEIM) | 7,787,500 | 0.549 |
| 22 | AMANAHRAYA TRUSTEES BERHAD<br>ASN EQUITY 5 | 7,231,800 | 0.510 |
| 23 | ENG LIAN ENTERPRISE SDN BHD | 6,750,000 | 0.476 |

# Analysis Of Shareholdings (Continued)

As At 29 September 2023

## LIST OF 30 LARGEST SHAREHOLDERS AS AT 29 SEPTEMBER 2023

| NO. | NAME | HOLDINGS | % |
|---|---|---|---|
| 24 | AMANAHRAYA TRUSTEES BERHAD<br>ASN EQUITY 2 | 6,700,250 | 0.473 |
| 25 | CIMB GROUP NOMINEES (ASING) SDN. BHD.<br>EXEMPT AN FOR DBS BANK LTD (SFS) | 6,500,000 | 0.459 |
| 26 | AVEST ASSET SDN BHD | 6,100,000 | 0.430 |
| 27 | MAYBANK NOMINEES (TEMPATAN) SDN BHD<br>MAYBANK TRUSTEES BERHAD FOR PRINCIPAL SMALL CAP OPPORTUNITIES FUND (240218) | 6,055,500 | 0.427 |
| 28 | CITIGROUP NOMINEES (TEMPATAN) SDN BHD<br>KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (AIIMAN IS EQ) | 5,682,200 | 0.401 |
| 29 | HSBC NOMINEES (TEMPATAN) SDN BHD<br>HSBC (M) TRUSTEE BHD FOR ALLIANZ LIFE INSURANCE MALAYSIA BERHAD (ULIFE2) | 5,295,200 | 0.374 |
| 30 | AMANAHRAYA TRUSTEES BERHAD<br>ASN IMBANG (MIXED ASSET BALANCED) 1 | 5,171,000 | 0.365 |
| | | 895,370,080 | 63.165 |

# Notice Of Annual General Meeting

**NOTICE IS HEREBY GIVEN THAT** the 11th Annual General Meeting of the Company will be conducted virtually through live streaming from the broadcast venue at **Meeting Room, Level 8, Tower Block, Plaza Dwitasik, Jalan Sri Permaisuri, Bandar Sri Permaisuri, 56000 Kuala Lumpur, Malaysia** on **Wednesday, 29 November 2023** at **10.00 a.m.** for the following purposes:

## AS ORDINARY BUSINESS:

1. To receive the Audited Financial Statements for the financial year ended 30 June 2023 together with the Reports of the Directors and Auditors thereon. **(Please refer to the Explanatory Notes to the Agenda)**

2. To approve the payment of Directors' fees of up to an aggregate amount of RM244,500.00 for the financial year ending 30 June 2024. **(Ordinary Resolution 1)**

3. To approve the payment of Directors' benefits of up to an aggregate amount of RM150,000.00 for the period from 30 November 2023 until the next Annual General Meeting of the Company. **(Ordinary Resolution 2)**

4. To re-elect the following Directors who are retiring in accordance with Clause 76(3) of the Constitution of the Company:-

   (a) The Cheng Eng **(Ordinary Resolution 3)**

   (b) Pang Sar **(Ordinary Resolution 4)**

5. To re-appoint KPMG PLT as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. **(Ordinary Resolution 5)**

## AS SPECIAL BUSINESS:

To consider and, if thought fit, to pass the following resolutions, with or without modifications:-

6. **Waiver of Pre-emptive Rights pursuant to Section 85 of the Companies Act 2016** **(Special Resolution)**

   "**THAT** pursuant to Section 85 of the Companies Act 2016 read together with Clause 12(3) of the Constitution of the Company, approval be and is hereby given for the waiver of the statutory pre-emptive rights of the shareholders of the Company to be offered new shares in the Company ranking equally to the existing issued shares in the Company arising from any issuance of new shares in the Company to the allottees subject to the passing of Ordinary Resolution 6 – Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016."

# Notice Of Annual General Meeting (Continued)

7. **Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016** **(Ordinary Resolution 6)**

"**THAT** contingent upon the passing of the Special Resolution on waiver of pre-emptive rights under Section 85 of the Companies Act 2016 and pursuant to Sections 75 and 76 of the Companies Act 2016, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and the approvals of the relevant regulatory authorities (if any), the Directors of the Company be and are hereby authorised to issue and allot shares in the Company from time to time until the conclusion of the next Annual General Meeting, at such price, upon such terms and conditions and for such purposes and to such persons whomsoever as the Directors may in their absolute discretion deem fit PROVIDED THAT the aggregate number of shares to be issued pursuant to this resolution, when aggregated with the total number of such shares issued during the preceding twelve (12) months does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being AND THAT the Directors be authorised to do all such things as they may deem fit and expedient in the best interest of the Company to give effect to the issuance of new shares under this resolution including making such applications to Bursa Malaysia Securities Berhad for the listing of and quotation for the additional shares so issued on Bursa Malaysia Securities Berhad AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company held after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is the earlier, unless revoked or varied by an ordinary resolution of the Company at a general meeting ("Proposed General Mandate")."

8. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Constitution of the Company.

By Order of the Board

**FOO PEI KOON (MAICSA 7067238) (SSM PC NO. 202108000380)**
**FONG SOK YEE (MAICSA 7066501) (SSM PC NO. 202008001180)**
**TE HOCK WEE (MAICSA 7054787) (SSM PC NO. 202008002124)**
Company Secretaries
Kuala Lumpur

30 October 2023

***NOTES:***

1. *The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.*

   *Shareholders will not be allowed to attend the 11th Annual General Meeting ("AGM") in person at the broadcast venue on the day of the meeting.*

   *Shareholders are to attend, speak (including posing question to the Board via real time submission of typed texts) and vote remotely at the 11th AGM via the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at https://tiih.online.*

   *For further information, kindly refer to the Administrative Guide for the 11th AGM.*

# Notice Of Annual General Meeting (Continued)

2. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 22 November 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, participate, speak and vote on his/her/its behalf.*

3. *A member of the Company who is entitled to attend and vote at a general meeting may appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*

4. *A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the general meeting.*

5. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*

7. *Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportion of his shareholdings to be represented by each proxy.*

8. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the 11th AGM or adjourned general meeting at which the person named in the appointment proposes to vote:*

   (i) *In hard copy form*
   *Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.*

   (ii) *By electronic means via Tricor TIIH Online website at https://tiih.online*
   *Please refer to the procedure as set out in the Administrative Guide of the 11th AGM for further information on electronic submission of proxy form via TIIH Online.*

9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the general meeting or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*

10. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*

11. *Last date and time for lodging the proxy form is* ***Monday, 27 November 2023 at 10.00 a.m.***

# Notice Of Annual General Meeting (Continued)

12. *For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please deposit the **ORIGINAL** certificate of appointment executed in the manner as stated in the proxy form with the Share Registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia if this has not been lodged with the Company's Share Registrar earlier.*

13. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 11th AGM will be put to vote by way of poll.*

**EXPLANATORY NOTES TO THE AGENDA**

*(i)* ***Item 1 of the Agenda***
***Audited Financial Statements for the financial year ended 30 June 2023***

*This item is meant for discussion only. The provision of Section 248(2) and Section 340(1)(a) of the Companies Act 2016 require that the audited financial statements and the Reports of the Directors and Auditors thereon be laid before the Company at its AGM. As such, this agenda item is not a business which requires a motion to be put forward to vote by shareholders.*

*(ii)* ***Ordinary Resolution 1***
***Directors' fees for the financial year ending 30 June 2024***

*The Directors' fees proposed for the financial year ending 30 June 2024 are calculated based on the current board size and provisional sum for appointment of a new Independent Director to the Board. This resolution is to facilitate payment of Directors' fees on current financial year basis.*

*(iii)* ***Ordinary Resolution 2***
***Directors' benefits for the period from 30 November 2023 until the next AGM***

*Directors' benefits consist of meeting allowance payable to Non-Executive Directors, inclusive of Independent Directors and Non-Independent Non-Executive Directors and in determining the estimated amount, the Board of Directors ("Board") has considered various factors including the current board size and number of scheduled meetings for the Board and Board Committees for the period from 30 November 2023 until the next AGM as well as the number of Non-Executive Directors involved in the meeting. In the event the proposed amount is insufficient (due to more meetings or enlarged board size), approval will be sought at the next AGM for the shortfall.*

*(iv)* ***Ordinary Resolutions 3 to 4***
***Re-election of Directors***

*Mr The Cheng Eng and Mr Pang Sar are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the 11th AGM.*

*Their profiles are disclosed in the Profile of the Board of Directors of the 2023 Annual Report.*

# Notice Of Annual General Meeting (Continued)

*Saved as disclosed, the retiring Directors have no conflict of interest with the Company and have no family relationship with any Director and/or major shareholder of the Company. The Nomination Committee ("NC") has considered the performance and contribution, time and commitment, calibre and personality, and fit and properness of the retiring Directors. Based on the recommendation of the NC, the Board is supportive of their re-election based on the following justifications:-*

*(a) Ordinary Resolution 3 – Re-election of Mr The Cheng Eng as Director of the Company*
*Mr The Cheng Eng contributes tremendously to the Group by overseeing the Group's operations as well as directing business growth and strategic direction of the Group. His expertise and hard work had been instrumental to the growth and development of the Group.*

*(b) Ordinary Resolution 4 – Re-election of Mr Pang Sar as Director of the Company*
*Mr Pang Sar has been responsible for managing the Group's operations including on-site and off-site. He has contributed significantly to the Group as the Group Chief Executive Officer by providing valuable input to steer the Group forward.*

*(v)* ***Ordinary Resolution 5***
***Re-appointment of Auditors***

*The Board had, through the Audit & Risk Management Committee, considered the re-appointment of KPMG PLT as the Auditors of the Company. The factors considered by the Audit & Risk Management Committee in making the recommendation to the Board to table their re-appointment at the 11th AGM are disclosed in the Audit & Risk Management Committee Report of the 2023 Annual Report.*

*(vi)* ***Special Resolution***
***Waiver of Pre-emptive Rights pursuant to Section 85 of the Companies Act 2016***

*This Special Resolution is pertaining to the waiver of pre-emptive rights pursuant to Section 85 of the Companies Act 2016. By voting in favour of the Special Resolution, the shareholders of the Company would be waiving their statutory pre-emptive rights. This Special Resolution, if passed, would allow the Directors to issue new shares to any person under the Proposed General Mandate without having to offer the new shares to be issued equally to all existing shareholders of the Company prior to issuance.*

*(vii)* ***Ordinary Resolution 6***
***Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016***

*Subject to the passing of the Special Resolution on the waiver of pre-emptive rights under Section 85 of the Companies Act 2016, this proposed resolution, if passed, will empower the Directors to issue and allot up to a maximum of 10% of the total number of issued shares of the Company for the time being for such purposes as the Directors consider would be in the best interest of the Company. This authority will, unless revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM or the expiration of the period within which the next AGM is required by law to be held, whichever is the earlier.*

*This is a renewal of the mandate obtained from shareholders at the last AGM held on 28 November 2022. The mandate is to provide flexibility to the Company to issue new securities without the need to convene separate general meeting to obtain its shareholders' approval so as to avoid incurring additional costs and time.*

*The purpose of this general mandate, if passed, will enable the Directors to take swift action in case of a need to issue and allot new shares in the Company for fund raising exercise including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of bank borrowings, acquisitions or such other application as the Directors may deem fit in the best interest of the Company.*

*As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last AGM held on 28 November 2022 and the mandate will lapse at the conclusion of the 11th AGM.*

# Notice Of Annual General Meeting (Continued)

**Personal data privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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**ECONPILE HOLDINGS BERHAD** (Registration No.: 201201032676 (1017164-M))
(Incorporated in Malaysia)

# Proxy Form

| CDS Account No. | |
|---|---|
| No. of shares held | |

**I/We**________________________________________ **Tel:**____________________

*[Full name in block, NRIC/Passport/Company No.]*

**of**____________________________________________________________

*[Full address]*

______________________________________________________________

being member(s) of **ECONPILE HOLDINGS BERHAD**, hereby appoint:

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

and

| Full Name (in Block) | NRIC/Passport No. | Proportion of Shareholdings | |
|---|---|---|---|
| | | No. of Shares | % |
| Address | | | |

or failing him/her, the Chairperson of the Meeting, as my/our proxy/proxies to vote for me/us and on my/our behalf at the 11th AGM of the Company which will be conducted virtually through live streaming from the broadcast venue at **Meeting Room, Level 8, Tower Block, Plaza Dwitasik, Jalan Sri Permaisuri, Bandar Sri Permaisuri, 56000 Kuala Lumpur, Malaysia** on **Wednesday, 29 November 2023** at **10.00 a.m.** or at any adjournment thereof, and to vote as indicated below:

| Description of Resolution | Resolution | For | Against |
|---|---|---|---|
| To approve the payment of Directors' fees of up to an aggregate amount of RM244,500.00 for the financial year ending 30 June 2024. | Ordinary Resolution 1 | | |
| To approve the payment of Directors' benefits of up to an aggregate amount of RM150,000.00 for the period from 30 November 2023 until the next Annual General Meeting of the Company. | Ordinary Resolution 2 | | |
| To re-elect The Cheng Eng as Director. | Ordinary Resolution 3 | | |
| To re-elect Pang Sar as Director. | Ordinary Resolution 4 | | |
| To re-appoint KPMG PLT as Auditors of the Company for the ensuing year and to authorise the Board of Directors to fix their remuneration. | Ordinary Resolution 5 | | |
| Waiver of Pre-emptive Rights pursuant to Section 85 of the Companies Act 2016 | Special Resolution | | |
| Authority to Issue and Allot Shares pursuant to Sections 75 and 76 of the Companies Act 2016. | Ordinary Resolution 6 | | |

*(Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.)*

Signed this__________day of__________________, 2023

____________________________

Signature#
**Member**

*# Manner of execution:*

*(a) If you are an individual member, please sign where indicated.*

*(b) If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.*

*(c) If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:*

*(i) at least two authorised officers, one of whom shall be a director; or*

*(ii) any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.*

***NOTES:***

1. *The broadcast venue is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairperson of the meeting to be present at the main venue of the meeting.*

   *Shareholders will not be allowed to attend the 11th Annual General Meeting ("AGM") in person at the broadcast venue on the day of the meeting.*

   *Shareholders are to attend, speak (including posing question to the Board via real time submission of typed texts) and vote remotely at the 11th AGM via the Remote Participation and Voting ("RPV") facilities provided by Tricor Investor & Issuing House Services Sdn Bhd via its TIIH Online website at* https://tiih.online.

   *For further information, kindly refer to the Administrative Guide for the 11th AGM.*

2. *For the purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a Record of Depositors as at 22 November 2023. Only a member whose name appears on this Record of Depositors shall be entitled to attend this meeting or appoint a proxy to attend, participate, speak and vote on his/her/its behalf.*

3. *A member of the Company who is entitled to attend and vote at a general meeting may appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to attend, participate, speak and vote in his place. A proxy may but need not be a member of the Company.*

4. *A member of the Company who is entitled to attend and vote at a general meeting of the Company may appoint not more than two (2) proxies to attend, participate, speak and vote instead of the member at the general meeting.*

5. *Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.*

6. *Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.*

7. *Where a member, an authorised nominee or an exempt authorised nominee appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies. The appointment shall not be valid unless he specifies the proportion of his shareholdings to be represented by each proxy.*

Please fold here

AFFIX
STAMP

**THE SHARE REGISTRAR OF**
**ECONPILE HOLDINGS BERHAD**
(Registration No.: 201201032676 (1017164-M))
**Tricor Investor & Issuing House Services Sdn. Bhd.**
Unit 32-01, Level 32, Tower A,
Vertical Business Suite,
Avenue 3, Bangsar South,
No. 8, Jalan Kerinchi,
59200 Kuala Lumpur, Malaysia

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8. *The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than 48 hours before the time appointed for holding the 11th AGM or adjourned general meeting at which the person named in the appointment proposes to vote:*

   (i) *In hard copy form*
   *Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia.*

   (ii) *By electronic means via Tricor TIIH Online website at https://tiih.online*
   *Please refer to the procedure as set out in the Administrative Guide of the 11th AGM for further information on electronic submission of proxy form via TIIH Online.*

9. *Any authority pursuant to which such an appointment is made by a power of attorney must be deposited with the Company's Share Registrar at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia not less than 48 hours before the time appointed for holding the general meeting or adjourned general meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.*

10. *Please ensure ALL the particulars as required in the proxy form are completed, signed and dated accordingly.*

11. *Last date and time for lodging the proxy form is* ***Monday, 27 November 2023 at 10.00 a.m.***

12. *For a corporate member who has appointed a representative instead of a proxy to attend this meeting, please deposit the* ***ORIGINAL*** *certificate of appointment executed in the manner as stated in the proxy form with the Share Registrar of the Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia or alternatively, the Customer Service Centre at Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, Malaysia if this has not been lodged with the Company's Share Registrar earlier.*

13. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolutions set out in the Notice of the 11th AGM will be put to vote by way of poll.*

**ECONPILE HOLDINGS BERHAD**
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