



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2019

A1. Basis of preparation

The condensed consolidated interim financial statements are unaudited and have been prepared in accordance with the requirements of Paragraph 9.22 of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") and the Malaysian Financial Reporting Standards ("MFRS") 134: Interim Financial Reporting. This unaudited interim financial report should be read in conjunction with the Group's most recent audited financial statements for the financial year ended 30 June 2019.

A2. Significant Accounting Policies

The accounting policies and method of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the financial year ended 30 June 2019 except for the following new/revised MFRSs and amendments to MFRSs:

		Effective for annual periods beginning on or after
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 3	Business Combinations	1 January 2019
Amendments to MFRS 9	Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11	Joint Arrangements	1 January 2019
Amendments to MFRS 112	Income Taxes	1 January 2019
Amendments to MFRS 119	Employee Benefits - Plan amendment, Curtailment and Settlement	1 January 2019
Amendments to MFRS 123	Borrowing Costs	1 January 2019
Amendments to MFRS 128	Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	1 January 2019
Amendments to MFRS 3	Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Yet to be determined

The adoption of the said MFRSs and Amendments of MFRSs did not have any impact to the condensed financial statements except the changes arising from MFRS 16 Leases, as disclosed below:

Under MFRS 16, the Group recognises right-of-use assets and lease liabilities for most of its operating leases – these leases are on-balance sheet at initial application. At transition, the right-of-use asset is measured at an amount equal to lease liability whilst the lease liability is measured at the present value of the remaining lease payments using the Group's incremental borrowing rate. The Group has applied MFRS16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised as an adjustment to retained earnings at 1 July 2019. Accordingly, the comparative prior-year figures were not adjusted.

A3. Auditors' Report

The reports of the auditors to the members of Econpile Holdings Berhad and its subsidiary companies on the financial statements for the financial year ended 30 June 2018 were not subject to any qualification and did not include any adverse comments made under subsection (3) of Section 174 of the Companies Act, 1965.

A4. Seasonality or Cyclicity of Interim Operations

The Group's results are not materially affected by any seasonal or cyclical factors.

A5. Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual in nature, size or incidence during the current quarter ended 30 September 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2019

A6. Material Effect of Changes in Estimates of Amounts Reported in Prior Interim Periods or Prior Financial Years

There were no changes in estimates of amounts reported in prior interim periods or prior financial years that have a material effect on results for the current period under review.

A7. Debt and Equity Securities

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter ended 30 September 2019.

A8. Dividends Paid

No dividends were paid by the Company in the current quarter ended 30 September 2019.

A9. Segmental Reporting

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 and related accessories. All the Group's operations are carried out in Malaysia.

A10. Property, Plant and Equipment

The fair value adopted at the date of transition to MFRSs has been brought forward, without amendment from the most recent annual financial statements for the financial year ended 30 June 2019.

A11. Significant Post Balance Sheet Event

There were no material events as at 21 November 2019, being the date not earlier than 7 days from the date of this announcement, that will affect the financial results of the current financial period under review.

A12. Changes in Composition of the Group

There were no changes in the composition of the Group including business combinations, acquisition or disposal of subsidiaries and long term investments, restructuring and discontinuing operations during the current quarter under review.

A13. Contingent Liabilities and Contingent Assets

There were no material changes in contingent liabilities and contingent assets since the last audited financial statements for the financial year ended 30 June 2019 to 21 November 2019, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 21.11.19 RM'000	As at 30.06.19 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	80,880	80,598
Company		
- Guarantees given to banks for facilities granted to a subsidiary	72,450	58,362
- Guarantees given to suppliers for credit terms granted to a subsidiary	20,246	27,464

A14. Capital Commitments

	As at 30.09.19 RM'000	As at 30.06.19 RM'000
Capital expenditure Authorised and contracted for	10,756	12,647

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter ended 30 September 2019.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2019

PART B : EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of the Performance of the Group

	Individual Period			Cummulative Period		
	Current year quarter	Preceding year corresponding quarter	Changes (Amount/%)	Current financial period	Preceding year corresponding period	Changes (Amount/%)
	30.09.19 RM'000	30.09.18 RM'000	RM'000 / %	30.09.19 RM'000	30.09.18 RM'000	RM'000 / %
Revenue	135,356	200,296	(64,940) / 32.4%	135,356	200,296	(64,940) / 32.4%
Gross profit	16,965	25,667	(8,702) / 33.9%	16,965	25,667	(8,702) / 33.9%
Profit before taxation	11,981	20,445	(8,464) / 41.4%	11,981	20,445	(8,464) / 41.4%
Profit after taxation	8,847	15,043	(6,196) / 41.2%	8,847	15,043	(6,196) / 41.2%

Group's Financial Performance

The Group recorded a revenue of RM135.4 million for the current three (3) months financial period ended 30 September 2019 mainly from the piling and foundation services business segment. Revenue contribution from piling and foundation works from property development projects continue to dominate the Group's revenue, amounting to RM95.2 million or 70.0% (Q1FY19 - RM152.1 million or 75.9%) and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM40.2 million or 30.0% (Q1FY19 - RM48.2 million or 24.1%).

The Group recorded a profit before tax of RM12.0 million for the current three (3) months financial period ended 30 September 2019, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax margin stood at 12.5% (Q1FY19 - 12.8%) and 8.9% (Q1FY19 - 10.2%) respectively, for the current financial period ended 30 September 2019. The decrease in revenue is due mainly to lower billings in the current quarter as two major property development projects nearing completion stage coupled with lower billings from infrastructure projects. The drop in profit margins is in line with the higher percentage of billings from infrastructure projects which yield a lower margin.

Other Income

Included in Other Income during the current financial period is rental income of equipments amounting to RM0.4 million as compared to RM0.5 million in the preceding year corresponding quarter.

Project Updates and Order Book

As at 30 September 2019, there are 25 on-going projects at various stages of completion. Order book stood at approximately RM0.9 billion as at 30 September 2019. Concentration of credit risk with respect of trade receivables is limited except for three (3) customers which accounted for 51.7% (including retention sum) of trade receivables as at 30 September 2019.

B2. Comparison with Preceding Quarter's Results

	Current quarter ended	Preceding quarter ended	Changes (Amount/%)
	30.09.19 RM'000	30.06.19 RM'000	RM'000 / %
Revenue	135,356	176,601	(41,245) / 23.4%
Gross profit	16,965	32,217	(15,252) / 47.3%
Profit before taxation	11,981	29,461	(17,480) / 59.3%
Profit after taxation	8,847	23,165	(14,318) / 61.8%

In the current first quarter ended 30 September 2019, the Group recorded a lower revenue of RM41.2 million to RM135.4 million from RM176.6 million in the most recent preceeding quarter ended 30 June 2019. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 30 September 2019, amounted to RM95.2 million and RM40.2 million respectively, as compared to RM124.3 million and RM52.3 million respectively, in the preceeding quarter ended 30 June 2019. The decrease in revenue is due mainly to lower billings in the current quarter as two major property development projects nearing completion stage coupled with lower billings from infrastructure projects.

The decrease in the profit before tax for the current quarter ended 30 September 2019 of RM17.5 million or 59.3% as compared to the preceding quarter ended 30 June 2019 was due to lower margins derived from the two major property development projects nearing completion stage which involves higher labour-intensive work activities coupled with higher percentage of billings from infrastructure projects which yield a lower margin.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2019

B3. Prospects

Econpile remains optimistic on new job wins both in private-initiated property development projects and also on-going infrastructure projects which are technically challenging in both civil engineering and deep-basement works. On the back of a relatively stable prices of building materials including steel and concrete, Econpile anticipates the construction sector's outlook to remain positive for FY2020.

B4. Profit Forecast or Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

B5. Profit Before Tax

Profit for the current quarter ended 30 September 2019 is stated after charging/(crediting) :-

	Current quarter and financial period ended
	30.09.19 RM'000
Depreciation of investment properties	10
Depreciation of properties, plant and equipments	7,271
Depreciation of right-of-use assets	61
Finance income	(169)
Finance expense	785

B6. Taxation

	Current quarter and financial period ended
	30.09.19 RM'000
Current tax expense	
- current period/year	3,134
- prior year	-
Deferred tax expense	-
	<u>3,134</u>

The effective tax rate for the current quarter ended 30 September 2019 was higher than the statutory tax rate of 24 percent is primarily due to certain expenses not allowable for tax purposes.

B7. Status of Corporate Proposal

There were no pending corporate proposals up to 21 November 2019, being the date not earlier than 7 days from the date of this announcement.

B8. Group Borrowings and Debt Securities

The Group's borrowings as at 30 September 2019 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances	68,027	-	68,027
Finance lease liabilities	7,329	1,184	8,513
Term loans	396	3,617	4,013
	<u>75,752</u>	<u>4,801</u>	<u>80,553</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2019

B9. Ageing Analysis of Trade Receivables

	As at 30.09.19 RM'000	As at 30.06.19 RM'000
Neither past due nor impaired	181,029	194,239
1 to 60 days past due not impaired	67,641	84,793
61 to 120 days past due not impaired	58,600	49,276
More than 121 days past due not impaired	105,852	79,793
	232,093	213,862
Impaired	16,337	16,337
Total Trade Receivables	429,459	424,438
Less: Allowance for impairment	(16,337)	(16,337)
Net Trade Receivables	413,122	408,101
Other receivables and deposits	4,678	4,560
	<u>417,800</u>	<u>412,661</u>

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 21 November 2019, being a date not earlier than 7 days from the date of this announcement.

	As at 21.11.19 RM'000	As at 30.06.19 RM'000
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	80,880	80,598

B11. Material Litigation

The Group does not have any material litigation as at 21 November 2019, being a date not earlier than 7 days from the date of this announcement.

B12. Dividend

No dividend was declared for the current quarter and financial period ended 30 September 2019.

B13. Earnings Per Share

The earnings per share for the current quarter and financial period ended 30 September 2019 is computed as follows:-

	Current quarter ended 30.09.19	Current financial period ended 30.09.19
Profit attributable to the Owners of the Company for the financial period (RM'000)	8,847	8,847
Weighted average number of ordinary shares in issue ('000)	1,337,500	1,337,500
Basic Earnings Per Share (sen)	0.66	0.66

There is no diluted earnings per share as at the end of the quarter and financial period ended 30 September 2019 as it is anti-dilutive.