



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

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2022

A1. Basis of preparation

The condensed consolidated interim financial statements of the Econpile Holdings Berhad ("EHB" or Company") and its subsidiaries ("Group") 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 2022.

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 2022 except for the following new/revised MFRSs and amendments to MFRSs:-

		Effective for annual periods beginning on or after
Amendments to MFRS 1	First-time Adoption of MFRS (Annual Improvements to MFRS Standards 2018-2020)	1 January 2022
Amendments to MFRS 3	Business Combinations - Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9	Financial Instruments - Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16	Leases - Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Costs of Fulfilling a Contract	1 January 2022
Amendments to MFRS 141	Agriculture (Annual Improvements to MFRS Standards 2018 - 2020)	1 January 2022
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies	1 January 2023
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 10	Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets	Yet to be determined

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

A3. Auditors' Report

The reports of the auditors to the members of EHB and its subsidiary companies on the financial statements for the financial year ended 30 June 2022 were not subject to any qualification and did not include any adverse comments made under subsection (3) of Section 266 of the Companies Act 2016.

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, save for those disclosed in notes B1 and B2, for financial quarter ended 30 September 2022.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2022

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 quarter 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 2022.

A8. Dividends Paid

No dividend was declared and paid in the current quarter ended 30 September 2022.

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.

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 2022.

A11. Significant Post Balance Sheet

There were no material events as at 22 November 2022, being the date not earlier than 7 days from the date of this announcement, that will affect the financial results of the current financial quarter under review.

A12. Changes in Composition of the Group

There were no material 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.

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 2022 to 22 November 2022, being a date not earlier than 7 days from the date of this announcement, save for the following:-

	As at 22.11.2022 RM'000	As at 30.06.2022 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	53,556	53,556

A14. Capital Commitments

	As at 30.09.2022 RM'000	As at 30.06.2022 RM'000
Capital expenditure Authorised and contracted for	10,452	10,452

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter ended 30 September 2022.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2022

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				Cumulative Period			
	Current year	Preceding year	Changes		Current financial period	Preceding year corresponding period	Changes	
	30.09.2022	30.09.2021	(Amount/%)		30.09.2022	30.09.2021	(Amount/%)	
	RM'000	RM'000	RM'000 / %		RM'000	RM'000	RM'000 / %	
Revenue	81,859	85,999	(4,140)	-4.8%	81,859	85,999	(4,140)	-4.8%
Gross loss	(838)	(1,430)	592	41.4%	(838)	(1,430)	592	41.4%
Loss before tax	(3,514)	(5,266)	1,752	33.3%	(3,514)	(5,266)	1,752	33.3%
Loss for the period	(4,825)	(5,796)	971	16.8%	(4,825)	(5,797)	972	16.8%

Group's Financial Performance

The Group recorded a revenue of RM 81.9 million for the financial quarter ended 30 September 2022 mainly from its piling and foundation services for property development projects versus RM 86.0 million in the preceding year corresponding quarter whereby RM77.0 million or 89.5% were from its piling and foundation services for property development projects and RM 9.0 million or 10.5% were from its piling and foundation services for infrastructure and other segments.

The Group recorded a decreased gross loss of RM 0.8 million for the current financial quarter ended 30 September 2022 versus RM 1.4 million gross loss for the preceding year corresponding quarter mainly due to stabilizing building material costs and higher gross profits generated from its overseas operations. Nevertheless, the impact from the above was partly offset by losses from two (2) completed projects and lower margins derived from project nearing completion.

The decrease in loss before tax during the current quarter was mainly attributable to unrealised gains from foreign exchange. However, the improvement in financial results was partly offset by higher operational and finance cost derived from the increase in the Overnight Policy Rate ("OPR") and higher borrowings during the current year quarter.

Project Updates and Order Book

As at 30 September 2022, there are 20 on-going projects at various stages of completion. Order book stood at approximately RM 442.8 million as at 30 September 2022. Concentration of credit risk with respect of trade receivables is limited except for six (6) customers which accounted for 71.1% (including retention sum) of trade receivables as at 30 September 2022.

B2. Comparison with Preceding Quarter's Results

	3 Months Individual Period		Changes	
	30.09.2022	30.06.2022	(Amount/%)	
	RM'000	RM'000	RM'000 / %	
Revenue	81,859	98,466	(16,607)	-16.9%
Gross loss	(838)	(4,649)	3,811	82.0%
Loss before tax	(3,514)	(8,987)	5,473	60.9%
Loss for the period	(4,825)	(13,345)	8,520	63.8%

In the current financial quarter, the Group recorded a decrease in loss before tax mainly due to the first time provision of expected losses from on-going onerous contracts during the preceding quarter ended 30 June 2022.

B3. Prospects

While economic recovery is underway, the construction industry remains challenging and Management must be vigilant in closely monitoring for any potential impacts that the current uncertainty in the global and domestic economic environments may have on the Group's financials.

Current headwinds such as labour shortage, foreign currency fluctuation, on-going geopolitical tensions and increases to the OPR rate in May 2022, July 2022 and September 2022 are amongst the factors that may impact the Group's performance. Management have acknowledged these headwinds and remain cautious to ride the waves of unpredictable developments in order to deliver value to our stakeholders.

Hence, we shall remain focused and committed in delivering projects in the current outstanding orderbook. Nevertheless, the Group has the resources to take in additional jobs from property development and government infrastructure projects which will contribute positively to the Group's earnings in the current and next financial years.

The Cambodian government stated that the construction sector is predicted to grow 9.4% between 2023 and 2026, supported by investment in the infrastructure, commercial and residential sectors. The growth is optimistic as China announced US\$1.6 billion in numerous investments of infrastructure projects centered around Cambodia at the 2022 ASEAN summit under the Belt and Road Initiative. The Group believes 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.

The market remains competitive and the Group will continue to explore future opportunities amidst the uncertain economic environment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2022

B4. Profit Forecast or Profit Guarantee

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

B5. Loss before tax

Loss for the current quarter ended 30 September 2022 is stated after charging/(crediting):-

	Current quarter ended 30.09.2022 RM'000	Preceding year corresponding period 30.09.2021 RM'000
Depreciation of investment properties	15	20
Depreciation of property, plant and equipment	2,547	5,329
Depreciation of right-of use assets	266	72
Finance income	(100)	(144)
Finance costs	1,282	782
Gain on disposal of investment property	(104)	-
Gain on disposal of property, plant and equipment	-	(141)
Fair value gain from other investments	(3)	(5)

B6. Taxation

	Current quarter ended 30.09.2022 RM'000	Preceding year corresponding period 30.09.2021 RM'000
Current tax:-		
- Current financial period	464	530
- Under provision in the previous financial year	203	-
Withholding tax	638	-
Real property gain tax	5	-
	<u>1,310</u>	<u>530</u>

The current tax expenses are for some profit making companies in Malaysia and Cambodia and deferred tax assets not recognised for losses incurred in a subsidiary.

B7. Status of Corporate Proposal

There were no pending corporate proposals up to 22 November 2022, 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 2022 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Revolving credit	28,000	-	28,000
Term loans	7,417	24,533	31,950
	<u>35,417</u>	<u>24,533</u>	<u>59,950</u>
<u>Unsecured</u>			
Hire purchase liabilities	547	434	981
Bankers acceptances	40,162	-	40,162
	<u>40,709</u>	<u>434</u>	<u>41,143</u>
	<u>76,126</u>	<u>24,967</u>	<u>101,093</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2022

B9. Ageing Analysis of Trade Receivables

	As at 30.09.2022 RM'000	As at 30.06.2022 RM'000
Neither past due nor impaired	158,383	152,898
1 to 60 days past due not impaired	24,459	38,976
61 to 120 days past due not impaired	23,863	70,422
More than 120 days past due not impaired	226,307	191,580
	<u>274,628</u>	<u>300,978</u>
Total Trade Receivables	433,011	453,876
Less: Allowance for impairment	(23,775)	(23,775)
Net Trade Receivables	409,236	430,101
Other receivables and deposits	5,929	7,937
	<u>415,165</u>	<u>438,038</u>

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 22 November 2022, being a date not earlier than 7 days from the date of this announcement.

Company	As at 22.11.2022 RM'000	As at 30.06.2022 RM'000
Financial guarantees given to suppliers and banks for facilities	80,506	79,424

B11. Material Litigation

The Group does not have any material litigation as at 22 November 2022, being a date not earlier than 7 days from the date of this announcement.

B12. Dividend

No dividend was declared for the quarter ended 30 September 2022.

B13. Loss Per Ordinary Share

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:-

	Current quarter ended 30.09.2022	Preceding year corresponding period 30.09.2021
Loss attributable to ordinary shareholders of the Company for the financial period (RM'000)	(4,825)	(5,797)
Weighted average number of ordinary shares in issue ('000)	<u>1,417,500</u>	<u>1,417,500</u>
Basic loss per ordinary share (sen)	<u>(0.34)</u>	<u>(0.41)</u>

B14 Authorised for issue

The interim financial report was authorised for issue by the Board of Directors.