



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

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2023**

**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 2023.

**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 2023 except for the following new/revised MFRSs and amendments to MFRSs:-

		Effective for annual periods beginning on or after
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 and International Tax Reform – Pillar Two Model Rules	1 January 2023
Amendment to MFRS 16	Leases – Lease Liability in a Sale and Leaseback	1 January 2024
Amendment to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 107	Amendments to MFRS 107, Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121, T	The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability	1 January 2025
Amendments to MFRS 10	Consolidated Financial Statements and MFRS 128, Investments in 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	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 2023 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.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2023**

**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 2023.

**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 2023.

**A8. Dividends Paid**

No dividend was declared and paid in the current quarter ended 30 September 2023.

**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 September 2023.

**A11. Significant Post Balance Sheet**

There were no material events as at 22 November 2023, 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 2023 to 22 November 2023, being a date not earlier than 7 days from the date of this announcement, save for the following:-

	<b>As at 22.11.2023 RM'000</b>	<b>As at 30.06.2023 RM'000</b>
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	47,319	54,203

**A14. Capital Commitments**

	<b>As at 30.09.2023 RM'000</b>	<b>As at 30.06.2023 RM'000</b>
Capital expenditure Authorised and contracted for	10,732	11,132

**A15. Significant Related Party Transactions**

There were no significant related party transactions for the current quarter ended 30 September 2023.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2023

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		Changes		Cumulative Period		Changes	
	Current year quarter 30.09.2023 RM'000	Preceding year corresponding quarter 30.09.2022 RM'000	(Amount/%) RM'000 / %	(Amount/%) RM'000 / %	Current financial year 30.09.2023 RM'000	Previous financial year 30.09.2022 RM'000	(Amount/%) RM'000 / %	(Amount/%) RM'000 / %
<b>Revenue</b>	120,595	81,859	38,736	47.3%	120,595	81,859	38,736	47.3%
<b>Gross profit / (loss)</b>	2,549	(838)	3,387	404.2%	2,549	(838)	3,387	404.2%
<b>Loss before tax</b>	(1,865)	(3,515)	1,650	46.9%	(1,865)	(3,515)	1,650	46.9%
<b>Loss for the period</b>	(3,192)	(4,825)	1,633	33.8%	(3,192)	(4,825)	1,633	33.8%

*Group's Financial Performance*

The Group recorded a revenue of RM 120.6 million for the financial quarter ended 30 September 2023 versus RM 81.9 million in the preceding year corresponding quarter mainly from its piling and foundation services for property development projects.

The Group recorded a gross profit of RM 2.5 million for the current financial quarter ended 30 June 2023 versus RM 0.8 million gross loss for the preceding year corresponding quarter mainly due to higher gross profit generated from its on-going projects in this current financial quarter. Nevertheless, the gross profit is offset by lower margins derived from some projects.

In terms of loss for the period, the Group recorded a lower loss of RM 3.2 million versus RM 4.8 million for the preceding year corresponding quarter. The reduction in loss for the period was in line with the gross profit stated above.

*Project Updates and Order Book*

As at 30 September 2023, there are 27 on-going projects at various stages of completion. Order book stood at approximately RM 416.6 million as at 30 June 2023. Concentration of credit risk with respect of trade receivables is limited except for six (6) customers which accounted for 60.6% (including retention sum) of trade receivables as at 30 June 2023.

B2. Comparison with Preceding Quarter's Results

	3 Months Individual Period		Changes (Amount/%)	
	30.09.2023 RM'000	30.06.2023 RM'000	RM'000 / %	RM'000 / %
<b>Revenue</b>	120,595	102,116	18,479	18.1%
<b>Gross profit/(loss)</b>	2,549	(4,317)	6,866	159.0%
<b>Loss before tax</b>	(1,865)	(8,311)	6,446	77.6%
<b>Loss for the period</b>	(3,192)	(9,000)	5,808	64.5%

In the current financial quarter, the Group recorded an improvement in revenue and gross profit as compared to the immediate preceding quarter mainly due to better progress of its on-going projects and lower losses contributed by its completed projects this quarter. The reduction in loss for the period was in line with the increase in gross profit stated above.

B3. Prospects

The construction sector in Malaysia is expected to continue registering strong growth in the fourth quarter of calendar year 2023 due to the roll out of big ticket infrastructure projects and stable building material costs.

Moving forward, the Group's focus will be on the execution and timely completion of its 27 on-going projects and continual bidding for new projects in order to replenish the Group's order book.

Looking at Cambodia, International Monetary Fund has downgraded Cambodia's economic growth projection to 5.3% from 5.6% for this year. The outlook for construction industry is remains sluggish, particularly caused by lower foreign direct investment inflow, prolonged tightening of global financial conditions, rising energy prices and concerns over high private debt and domestic financial stability. The Group believes that its track record, existing fleet in Phnom Penh and positive progress in its present undertakings, standing it in good stead for more projects 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 2023**

**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 period ended 30 September 2023 is stated after charging/(crediting):-

	<b>Current quarter ended 30.09.2023 RM'000</b>	<b>Preceding year corresponding period 30.09.2022 RM'000</b>
Depreciation of investment properties	15	15
Depreciation of property, plant and equipment	936	2,547
Depreciation of right-of-use assets	270	266
Fair value gain from other investments	(4)	(3)
Finance income	(296)	(100)
Finance costs	1,437	1,282
Gain on disposal of investment property	-	(104)
Reversal of impairment loss on financial instruments	(242)	-

**B6. Taxation**

	<b>Current quarter ended 30.09.2023 RM'000</b>	<b>Preceding year corresponding period 30.09.2022 RM'000</b>
Current tax:-		
- Current year	800	464
- Under provision in the previous financial year	60	203
Withholding tax	467	638
Real property gain tax	-	5

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 2023, 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 2023 are as follows:-

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
<b><u>Secured</u></b>			
Revolving credit	46,000	-	46,000
Bank loans	7,420	17,115	24,535
	<u>53,420</u>	<u>17,115</u>	<u>70,535</u>
<b><u>Unsecured</u></b>			
Hire purchase liabilities	434	-	434
Bankers' acceptances	50,001	-	50,001
	<u>50,435</u>	<u>-</u>	<u>50,435</u>
	<u>103,855</u>	<u>17,115</u>	<u>120,970</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2023**

**B9. Ageing Analysis of Trade Receivables**

	<b>As at 30.09.2023 RM'000</b>	<b>As at 30.06.2023 RM'000</b>
Not past due	165,361	151,615
Past due 1 - 60 days	59,428	34,483
Past due 61 to 120 days	12,212	23,296
Past due more than 120 days	216,469	211,393
	<u>288,109</u>	<u>269,172</u>
Total Trade Receivables	453,470	420,787
Less: Impairment losses	(6,738)	(6,980)
Net Trade Receivables	446,732	413,807
Other receivables and deposits	9,712	11,015
	<u>456,444</u>	<u>424,822</u>

**B10. Financial Instruments**

Save for below, there were no financial instruments with off balance sheet risks as at 22 November 2023, being a date not earlier than 7 days from the date of this announcement.

	<b>As at 22.11.2023 RM'000</b>	<b>As at 30.06.2023 RM'000</b>
Company		
Financial guarantees given to suppliers and banks for facilities	<u>119,859</u>	<u>97,527</u>

**B11. Material Litigation**

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 (“CIPAA”) 2012 and arbitration proceeding at the Asian International Arbitration Centre (“AIAC”).

Econpile (M) Sdn Bhd (“EMS”) has successfully enforced two Adjudication Decisions 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 had on 3 October 2023 affirmed the validity of the Orders/Judgements.

As no payment was forthcoming from ASMKL pursuant to the awards of the Adjudication Decisions, EMSB has also commenced writ of seizure and sale proceedings against ASMKL. A public auction of a piece of land owned by ASMKL, which would allow EMSB to partially recover the debt owed, has been fixed for 6 December 2023.

As for the arbitration proceeding, the hearing is also in progress, with dates fixed until August 2024.

**B12. Dividend**

No dividend was declared for the quarter ended 30 September 2023.

**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:-

	<b>Current financial year ending 30.09.2023</b>	<b>Previous financial year ending 30.09.2022</b>
Loss attributable to ordinary shareholders of the Company for the financial year (RM'000)	(3,192)	(4,825)
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>(0.23)</u>	<u>(0.34)</u>

**B14 Authorised for issue**

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