



**ECONPILE HOLDINGS BERHAD**

(Company No. 1017164-M)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2016**

**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 2016.

**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 2016 except for the following new/revised MFRSs and amendments to MFRSs:

		Effective for annual periods beginning on or after
Amendments to MFRS 107	Statement of Cash Flows - Disclosure Initiative	1 January 2017
Amendments to MFRS 112	Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
MFRS 9	Financial Instruments (2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15	Revenue from Contracts with Customers (Amendments)	1 January 2018
MFRS 16	Leases	1 January 2019
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

**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 2016 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 and financial period ended 31 December 2016.

**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 and financial period ended 31 December 2016.

**A8. Dividends Paid**

The Company paid a single-tier interim dividend of 1.5 sen per ordinary share in respect of financial year ending 30 June 2017, amounting to RM8,025,000.15 on 21 December 2016.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2016****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 2016.

**A11. Significant Post Balance Sheet Event**

There were no material events as at 16 February 2017, 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 2016 to 16 February 2017, being a date not earlier than 7 days from the date of this announcement, save for the following:

	<b>As at 16.02.17 RM'000</b>	<b>As at 30.06.16 RM'000</b>
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers and suppliers in relation to construction contracts	<u>125,349</u>	<u>29,324</u>
Company		
- Corporate Guarantee given to customers and suppliers in relation to construction contracts	<u>82,625</u>	<u>22,399</u>

**A14. Capital Commitments**

	<b>As at 31.12.16 RM'000</b>	<b>As at 30.06.16 RM'000</b>
Capital expenditure Authorised and contracted for	<u>2,442</u>	<u>1,706</u>

**A15. Significant Related Party Transactions**

There were no significant related party transactions for the current quarter and financial period ended 31 December 2016.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2016****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**

	<b>Current year quarter 31.12.16 RM'000</b>	<b>Preceding year corresponding quarter 31.12.15 RM'000</b>	<b>Current financial period 31.12.16 RM'000</b>	<b>Preceding year corresponding period 31.12.15 RM'000</b>
<b>Revenue</b>	147,873	110,564	261,953	211,642
<b>Profit before taxation</b>	29,103	22,399	51,150	42,273

The Group recorded a revenue of RM261.9 million for the current six (6) months financial period ended 31 December 2016 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 RM241.8 million or 92.3% and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM20.1 million or 7.7%.

The Group recorded a profit before tax of RM51.2 million for the current six (6) months financial period ended 31 December 2016, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax margin stood at 22.9% and 19.5% respectively, for the current financial period ended 31 December 2016 as compared to 25.3% and 20.0% respectively, for the corresponding period last year. The marginally lower gross profit margin during the current six months was pinned by the gradual increase in steel and steel related materials.

**B2. Comparison with Preceding Quarter's Results**

	<b>Current quarter ended 31.12.16 RM'000</b>	<b>Preceding quarter ended 30.09.16 RM'000</b>
<b>Revenue</b>	147,873	114,080
<b>Profit before taxation</b>	29,103	22,047

In the current second quarter ended 31 December 2016, the Group recorded an increase in revenue of RM33.8 million to RM147.9 million from RM114.1 million for the most preceding quarter ended 30 September 2016. This increase in revenue in the current quarter is consistent with the increase in order book secured which stood at approximately RM950 million as at 31 December 2016. The revenue from piling and foundation works from property development projects and infrastructure projects for the current quarter ended 31 December 2016, amounted to RM136.6 million and RM11.2 million respectively, as compared to RM105.2 million and RM8.9 million respectively, in the preceding quarter ended 30 September 2016.

The increase in the profit before tax for the current quarter ended 31 December 2016 of RM7.1 million or 32.2% as compared to the preceding quarter ended 30 September 2016 was due to the improved billings from certain existing projects at their advance billings milestone coupled with the higher overall project order book secured.

**B3. Prospects**

The Directors expect the Group's 2017 performance to be challenging but sustainable on the back of the continued growth expected from the piling and foundation services in the infrastructure segment.

**B4. Profit Forecast or Profit Guarantee**

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

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2016****B5. Profit Before Tax**

Profit for the current quarter and financial period ended 31 December 2016 is stated after charging/(crediting) :-

	<b>Current quarter ended 31.12.16 RM'000</b>	<b>Current financial period ended 31.12.16 RM'000</b>
Depreciation of investment properties	6	17
Depreciation of properties, plant and equipments	5,801	10,960
Expenses related to defined benefit plan	113	226
Finance income	(154)	(372)
Finance expense	308	592

**B6. Taxation**

	<b>Current quarter ended 31.12.16 RM'000</b>	<b>Current financial period ended 31.12.16 RM'000</b>
Current tax expense		
- current year	7,740	13,342
Deferred tax expense	-	-
	<u>7,740</u>	<u>13,342</u>

The effective tax rate for the current quarter and six month financial period ended 31 December 2016 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 16 February 2017, being a date not earlier than 7 days from the date of this announcement.

**B8. Investment in Quoted Securities**

There were no purchases or disposals of quoted securities during the current quarter and financial period ended 31 December 2016.

**B9. Sale of Unquoted Investments and/or Properties**

There were no sale of unquoted investment and/or properties during the current financial period ended 31 December 2016, save for the disposal of a unit of freehold semi-detached villa in Seksyen U1, Shah Alam, Selangor on 9 August 2016 and a unit of leasehold terrace house in Section 12, Bandar Puncak Alam, Selangor on 3 August 2016, for a cash consideration of RM4,450,000.00 and RM240,000.00, respectively.

**B10. Group Borrowings and Debt Securities**

The Group's borrowings as at 31 December 2016 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>			
Bankers acceptances	17,798	-	17,798
Finance lease liabilities	6,181	7,383	13,564
Term loans	110	2,565	2,675
	<u>24,089</u>	<u>9,948</u>	<u>34,037</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2016****B11. Realised/Unrealised profits**

	<b>As at 31.12.16 RM'000</b>	<b>As at 30.06.16 RM'000</b>
Total retained earnings of the Company and its subsidiaries		
- realised	232,625	202,945
- unrealised	(4,591)	(4,694)
Total retained earnings as per consolidated accounts	<u>228,034</u>	<u>198,251</u>

**B12. Off Balance Sheet Financial Instruments**

Save for below, there were no financial instruments with off balance sheet risks as at 16 February 2017, being a date not earlier than 7 days from the date of this announcement.

	<b>As at 16.02.17 RM'000</b>	<b>As at 30.06.16 RM'000</b>
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	<u>125,349</u>	<u>29,324</u>

**B13. Material Litigation**

In June 2015, a subsidiary of the Group, Econpile (M) Sdn Bhd ("EMSB") filed a litigation against a customer for default in payment and wrongful termination, and therefore served a Notice of Adjudication in accordance with the Construction Industry Payment and Adjudication Act 2012 against the customer. In September 2015, the customer served a Notice of Demand on the subsidiary for alleged liquidated and ascertained damages and loss of profit resulting from the non-performance of the contract, and thereafter served the subsidiary a Notice of Arbitration.

On 15 July 2016, the Company announced that EMSB had on 11 July 2016, received a sum of RM2,033,225.03 being the judgement sum together with interest and costs awarded to EMSB in relation to the adjudication decision on 30 October 2015.

Save for the above, the Group does not have any material litigation as at 16 February 2017, being a date not earlier than 7 days from the date of this announcement.

**B14. Dividend**

The Board of Directors has approved and declared a single tier interim dividend of 1.5 sen per ordinary share, amounting to RM8,025,000.15 which was paid on 21 December 2016.

**B15. Earnings Per Share**

The earnings per share for the current quarter and financial period ended 31 December 2016 is computed as follows:-

	<b>Current quarter ended 31.12.16 RM'000</b>	<b>Current financial period ended 31.12.16 RM'000</b>
Profit for the quarter, attributable to owners of the parent	<u>21,363</u>	<u>37,808</u>
Weighted average number of ordinary shares of RM0.20 each in issue	<u>535,000</u>	<u>535,000</u>
Basic Earnings Per Share (sen)	<u>3.99</u>	<u>7.07</u>

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the quarter ended 31 December 2016.