



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2017

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 2017.

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 2017 except for the following new/revised MFRSs and amendments to MFRSs:

		Effective for annual periods beginning on or after
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
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
Amendments to MFRS 2	Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 128	Investments in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 140	Investment Property - Transfers of Investment Property	1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	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 2017 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 2017.

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

Save for those disclosed in Note B7, there were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial period ended 31 December 2017.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2017

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 2018, amounting to RM8,025,000.15 on 21 December 2017.

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 2017.

A11. Significant Post Balance Sheet Event

There were no material events as at 20 February 2018, 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 2017 to 20 February 2018, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 20.02.18 RM'000	As at 30.06.17 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	76,858	77,600
Company		
- Guarantees given to banks for facilities granted to a subsidiary	27,301	25,894
- Guarantees given to suppliers for credit terms granted to a subsidiary	7,664	21,990

A14. Capital Commitments

	As at 31.12.17 RM'000	As at 30.06.17 RM'000
Capital expenditure Authorised and contracted for	16,055	12,249

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter and financial period ended 31 December 2017.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2017**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/%)
	31.12.17 RM'000	31.12.16 RM'000	RM'000 / %	31.12.17 RM'000	31.12.16 RM'000	RM'000 / %
Revenue	162,171	147,873	14,298 / 9.7%	331,070	261,953	69,117 / 26.4%
Gross profit	32,907	33,050	(143) / 0.4%	67,524	60,116	7,408 / 12.3%
Profit before taxation	30,369	29,103	1,266 / 4.4%	59,498	51,150	8,348 / 16.3%
Profit after taxation	22,731	21,363	1,368 / 6.4%	43,923	37,808	6,115 / 16.2%

Group's Financial Performance

The Group recorded a revenue of RM331.1 million for the current six (6) months financial period ended 31 December 2017 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 RM261.2 million or 78.9% and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM69.9 million or 21.1%.

The Group recorded a profit before tax of RM59.5 million for the current six (6) months financial period ended 31 December 2017, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax margin stood at 20.4% (Q1 2017 - 22.9%) and 18.0% (Q1 2017 - 19.5%) respectively, for the current financial period ended 31 December 2017.

Other Income

Included in Other Income during the current financial period is gain from disposal of machineries and rental income of equipments amounting to RM1.7 million and RM4.7 million, respectively.

Project Updates and Order Book

As at 31 December 2017, there are 15 on-going projects at various stages of completion and 5 projects were completed during the current financial period. Order book stood at RM1.3 billion as at 31 December 2017. Concentration of credit risk with respect of trade receivables is limited except for two (2) customers which accounted for 39.3% (including retention sum) of trade receivables as at 31 December 2017.

B2. Comparison with Preceding Quarter's Results

	Current quarter ended 31.12.17 RM'000	Preceding quarter ended 30.09.17 RM'000	Changes (Amount/%) RM'000 / %
Revenue	162,171	168,899	(6,728) / 4.0%
Gross profit	32,907	34,617	(1,710) / 4.9%
Profit before taxation	30,369	29,129	1,240 / 4.3%
Profit after taxation	22,731	21,192	1,539 / 7.3%

In the current second quarter ended 31 December 2017, the Group recorded an decrease in revenue of RM6.7 million to RM162.2 million from RM168.9 million in the most preceding quarter ended 30 September 2017. This decrease in revenue in the current quarter is due mainly to completion of 3 projects during the current quarter. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 31 December 2017, amounted to RM121.4 million and RM40.8 million respectively, as compared to RM139.8 million and RM29.1 million respectively, in the preceding quarter ended 30 September 2017.

The increase in the profit before tax for the current quarter ended 31 December 2017 of RM1.5 million or 7.3% as compared to the preceding quarter ended 30 September 2017 was due mainly to rental income derived from rental of equipments to sub-contractors.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2017

B3. Prospects

On the back of the RM46 billion development budget announced in the 2018 Budget, which includes a slew of mega infrastructure projects, the Directors expect the Group's 2018 performance to be challenging but sustainable with continued growth expected from the piling and foundation services in particularly, the infrastructure segment.

Price of concrete, being one of our main raw material, has been fairly stable for the past six (6) months and we do not anticipate material increase for the rest of the financial year ending 30 June 2018, whereas, steel prices has been on the upward trend in the past six (6) months and this has affected our profit margin. However, Econpile does not expect this situation to deteriorate significantly in the light of the stable regional and world steel prices.

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 and financial period ended 31 December 2017 is stated after charging/(crediting) :-

	Current quarter ended 31.12.17 RM'000	Current financial period 31.12.17 RM'000
Depreciation of investment properties	6	11
Depreciation of properties, plant and equipments	7,108	13,948
Expenses related to defined benefit plan	107	214
Finance income	(138)	(297)
Finance expense	517	1,024

B6. Taxation

	Current quarter ended 31.12.17 RM'000	Current financial period 31.12.17 RM'000
Current tax expense		
- current year	7,638	14,680
- prior year	-	895
Deferred tax expense	-	-
	<u>7,638</u>	<u>15,575</u>

The effective tax rate for the current quarter and financial period ended 31 December 2017 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

Pursuant to the Company's announcement on 30 October 2017 in respect of the below corporate proposal:-

(I) Proposed Share Split involving the Subdivision of Every One (1) Existing Ordinary Share in Econpile ("Econpile Share" or "Share") into Two (2) Econpile Shares ("Split Shares") held on an Entitlement Date to be determined later ("Proposed Share Split");

(II) Proposed Bonus Issue of 267,500,005 New Split Shares ("Bonus Shares") on the basis of One (1) Bonus Share for every Four (4) Split Shares held on the same Entitlement Date as the Proposed Share Split ("Proposed Bonus Issue of Shares"); and

(III) Proposed Bonus Issue of 267,500,005 Free Warrants in Econpile ("Warrants") on the basis of One (1) Warrant for every Four (4) Split Shares held on the same Entitlement Date as the Proposed Share Split.

The above corporate proposal was approved by the shareholders in the Extraordinary General Meeting held on 22 November 2017 and was completed on 8 January 2018.

B8. Investment in Quoted Securities

There were no purchases or disposals of quoted securities during the current quarter and financial period ended 31 December 2017.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2017

B9. Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investment and/or properties during the current quarter and financial period ended 31 December 2017.

B10. Group Borrowings and Debt Securities

The Group's borrowings as at 31 December 2017 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances	26,060	-	26,060
Finance lease liabilities	9,985	14,782	24,767
Term loans	116	2,449	2,565
	<u>36,161</u>	<u>17,231</u>	<u>53,392</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

B11. Ageing Analysis of Trade Receivables

	As at 31.12.17 RM'000	As at 30.06.17 RM'000
Neither past due nor impaired	259,670	168,257
1 to 60 days past due not impaired	87,105	95,259
61 to 120 days past due not impaired	10,190	11,892
More than 121 days past due not impaired	26,460	28,134
	<u>123,755</u>	<u>135,285</u>
Impaired	3,777	3,665
Total Trade Receivables	<u>387,202</u>	<u>307,207</u>
Less: Allowance for impairment	(3,777)	(3,665)
Net Trade Receivables	<u>383,425</u>	<u>303,542</u>
Amount due from contract customers	32,633	40,925
Other receivables and deposits	3,796	2,903
	<u>419,854</u>	<u>347,370</u>

B12. Realised/Unrealised profits

	As at 31.12.17 RM'000	As at 30.06.17 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	296,588	260,640
- unrealised	(5,745)	(5,695)
Total retained earnings as per consolidated accounts	<u>290,843</u>	<u>254,945</u>

B13. Off Balance Sheet Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 20 February 2018, being a date not earlier than 7 days from the date of this announcement.

	As at 20.02.18 RM'000	As at 30.06.17 RM'000
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	<u>76,858</u>	<u>77,600</u>

B14. Material Litigation

The Group does not have any material litigation as at 20 February 2018, being a date not earlier than 7 days from the date of this announcement.

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(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2017**B15. 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 2017.

B16. Earnings Per Share

The earnings per share for the current quarter and financial period ended 31 December 2017 is computed as follows:-

	Current quarter ended 31.12.17	Current financial period ended 31.12.17
Profit attributable to the Owners of the Company for the financial period (RM'000)	22,731	43,923
Weighted average number of ordinary shares in issue ('000)	1,337,500	1,337,500
Basic Earnings Per Share (sen)	1.70	3.28

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the quarter and financial period ended 31 December 2017.