



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2021

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 2021.

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 2021 except for the following new/revised MFRSs and amendments to MFRSs:

	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2 1 January 2021
Amendments to MFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 1 April 2021
Amendments to MFRS 1	First-time Adoption of MFRS (Annual Improvements to MFRS Standards) 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- 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 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 and MFRS 128	Sale or Contribution of Assets between and 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 Econpile Holdings Berhad and its subsidiary companies on the financial statements for the financial year ended 30 June 2021 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, save for those disclosed in notes B1 and B2, for financial quarter ended 31 December 2021.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2021**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 31 December 2021.

A8. Dividends Paid

No dividend was declared and paid in the current quarter ended 31 December 2021.

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 2021.

A11. Significant Post Balance Sheet Event

There were no material events as at 16 February 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 2021 to 16 February 2022, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 16.02.2022 RM'000	As at 30.06.2021 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	<u>78,927</u>	<u>55,632</u>
Company		
- Guarantees given to banks for facilities granted to a subsidiary	67,786	79,424
- Guarantees given to suppliers for credit terms granted to subsidiaries	<u>12,284</u>	<u>16,259</u>

A14. Capital Commitments

	As at 31.12.2021 RM'000	As at 30.06.2021 RM'000
Capital expenditure Authorised and contracted for	<u>10,452</u>	<u>13,217</u>

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter ended 31 December 2021.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2021**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 (Amount/%)	Current	Preceding year	Changes (Amount/%)
	quarter	corresponding quarter		financial period	corresponding period	
31.12.2021	31.12.2020	RM'000 / %	31.12.2021	31.12.2020	RM'000 / %	
	RM'000	RM'000		RM'000	RM'000	
Revenue	96,896	94,937	1,959 2.1%	182,895	196,892	(13,997) -7.1%
Gross profit	603	9,359	(8,756) 93.6%	(827)	19,793	(20,620) -104.2%
Profit before taxation	(4,371)	2,384	(6,755) 283.3%	(9,636)	10,020	(19,656) -196.2%
Profit after taxation	(5,377)	1,834	(7,211) 393.2%	(11,172)	7,422	(18,594) -250.5%

Group's Financial Performance

The Group recorded a revenue of RM96.9 million for the financial quarter ended 31 December 2021 mainly from the piling and foundation services business segment. Revenue contribution from piling and foundation works from property development projects contributed RM88.9 million or 91.7% to the Group's revenue, (2QFY21 - RM74.7 million or 78.7%) and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM8.0 million or 8.3% (2QFY21 - RM20.2 million or 21.3%).

The Group recorded gross profit of RM0.6 million and loss before tax of RM4.4 million for the current financial quarter ended 31 December 2021. The low gross profit margin of 0.6% (2QFY21 - 9.9%) was mainly due to losses of some completed projects, and the margin adjustments due to rising material prices both locally and overseas.

Other Income

Included in Other Income for the current financial quarter is rental income of equipment and disposal of property, plant and equipment amounting to RM0.8 million as compared to RM0.9 million in the preceding year.

Project Updates and Order Book

As at 31 December 2021, there are 25 on-going projects at various stages of completion. Order book stood at approximately RM0.69 billion as at 31 December 2021. Concentration of credit risk with respect of trade receivables is limited except for six (6) customers which accounted for 72.2% (including retention sum) of trade receivables as at 31 December 2021.

B2. Comparison with Preceding Quarter's Results

	Current	Preceding	Changes	
	quarter ended	quarter ended	(Amount/%)	
	31.12.2021	30.09.2021	RM'000 / %	
	RM'000	RM'000		
Revenue	96,896	85,999	10,897	12.7%
Gross profit	603	(1,430)	2,033	-142.2%
Profit before taxation	(4,371)	(5,267)	896	-17.0%
Profit after taxation	(5,377)	(5,796)	419	-7.2%

In the current second financial quarter ended 31 December 2021, the Group recorded a higher revenue of RM10.9 million to RM96.9 million from RM86.0 million in the preceeding quarter ended 30 September 2021. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 31 December 2021, amounted to RM88.9 million and RM8.0 million respectively, as compared to RM77.0 million and RM9.0 million respectively, in the preceding quarter ended 30 September 2021. The higher revenue was mainly attributed to the normalisation of activities after the lockdowns in the preceeding quarter.

The loss before tax for the current quarter ended 31 December 2021 as compared to the preceding quarter ended 30 September 2021 was mainly due to the losses on completed jobs, margin adjustments due the rise in material prices and the adjustment in staff costs in December 2021.

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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. With the presence of our machinery and personnel in Phnom Penh, Econpile is optimistic of its long-term growth prospects in Cambodia.

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 31 December 2021 is stated after charging/(crediting) :-

	Current quarter ended 31.12.2021 RM'000	Current financial year ending 30.06.2022 RM'000
Depreciation of investment properties	(13)	7
Depreciation of property, plant and equipment	4,433	9,762
Depreciation of right-of-use assets	72	144
Finance income	(78)	(222)
Finance expense	817	1,599

B6. Taxation

	Current quarter ended 31.12.2021 RM'000	Current financial year ending 30.06.2022 RM'000
Current tax expense		
- current period/year	1,006	1,536
	<u>1,006</u>	<u>1,536</u>

The current tax expenses are for some profit making companies both in Malaysia and Cambodia. The effective tax rate for the current financial quarter ended 31 December 2021 was higher than the statutory tax rate of 24 percent (20 percent in Cambodia) 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 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 31 December 2021 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances	44,852	-	44,852
Revolving credit	23,000	-	23,000
Hire purchase liabilities	526	847	1,373
Lease liabilities	222	-	222
Term loans	7,419	30,094	37,513
	<u>76,019</u>	<u>30,941</u>	<u>106,960</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

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	As at 31.12.2021 RM'000	As at 30.06.2021 RM'000
Neither past due nor impaired	62,918	36,705
1 to 60 days past due not impaired	21,211	26,889
61 to 120 days past due not impaired	34,822	62,506
More than 120 days past due not impaired	266,653	232,054
	322,686	321,449
Impaired	22,075	22,075
Total Trade Receivables	407,679	380,229
Less: Allowance for impairment	(22,075)	(22,075)
Net Trade Receivables	385,604	358,154
Other receivables and deposits	7,892	7,705
	393,496	365,859

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 16 February 2022, being a date not earlier than 7 days from the date of this announcement.

	As at 16.02.2022 RM'000	As at 30.06.2021 RM'000
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	91,211	71,891

B11. Material Litigation

The Group does not have any material litigation as at 16 February 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 31 December 2021.

B13. Earnings Per Share

The earnings per share for the current quarter ended 31 December 2021 is computed as follows:-

	Current quarter ended 31.12.2021	Current financial year ending 30.06.2022
Profit attributable to the Owners of the Company for the financial period (RM'000)	(5,377)	(11,172)
Weighted average number of ordinary shares in issue ('000)	1,417,500	1,417,500
Basic Earnings Per Share (sen)	(0.38)	(0.79)