



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

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 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
Amendments to 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 31 December 2022.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 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 31 December 2022.

A8. Dividends Paid

No dividend was declared and paid in the current quarter ended 31 December 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 16 February 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 2022 to 16 February 2023, being a date not earlier than 7 days from the date of this announcement, save for the following:-

	As at 16.02.2023 RM'000	As at 30.06.2022 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	39,426	53,556

A14. Capital Commitments

	As at 31.12.2022 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 31 December 2022.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 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 31.12.2022 RM'000	Preceding year corresponding quarter 31.12.2021 RM'000	Changes (Amount/%) RM'000 / %		Current financial period 31.12.2022 RM'000	Preceding year corresponding period 31.12.2021 RM'000	Changes (Amount/%) RM'000 / %	
Revenue	95,325	96,896	(1,571)	-1.6%	177,184	182,895	(5,711)	-3.1%
Gross profit/(loss)	7,174	603	6,571	1089.7%	6,337	(827)	7,164	866.3%
Loss before tax	(327)	(4,371)	4,044	92.5%	(3,844)	(9,636)	5,792	60.1%
Loss for the period	(1,635)	(5,377)	3,742	69.6%	(6,462)	(11,172)	4,710	42.2%

Group's Financial Performance

The Group recorded a revenue of RM 95.3 million for the financial quarter ended 31 December 2022 mainly from its piling and foundation services for property development projects versus RM 96.9 million in the preceding year corresponding quarter whereby RM88.9 million or 91.7% were from its piling and foundation services for property development projects and RM 8.0 million or 8.3% were from its piling and foundation services for infrastructure and other segments.

The Group recorded a gross profit of RM 7.2 million for the current financial quarter ended 31 December 2022 versus RM 0.6 million gross profit for the preceding year corresponding quarter mainly due to stabilizing building material costs, higher gross profits generated from its overseas operations and new projects.

In term of loss for the period, the Group recorded lower loss for the period of RM1.6 million versus RM 5.3 million for the preceding year corresponding period. The improvement was in line with higher gross profit as stated above.

Project Updates and Order Book

As at 31 December 2022, there are 23 on-going projects at various stages of completion. Order book stood at approximately RM 433.9 million as at 31 December 2022. Concentration of credit risk with respect of trade receivables is limited except for seven (7) customers which accounted for 75.3% (including retention sum) of trade receivables as at 31 December 2022.

B2. Comparison with Preceding Quarter's Results

	3 Months Individual Period		Changes (Amount/%)	
	31.12.2022 RM'000	30.09.2022 RM'000	RM'000 / %	
Revenue	95,325	81,859	13,466	16.5%
Gross profit/(loss)	7,174	(838)	8,012	956.1%
Loss before tax	(327)	(3,514)	3,187	90.7%
Loss for the period	(1,635)	(4,825)	3,190	66.1%

In the current financial quarter, the increase in the Group's revenue was due to better progress of its on-going construction projects compared to the immediate preceding quarter. However, the weakening US Dollar versus Malaysian Ringgit in the current financial quarter resulted in unrealised foreign exchange loss of RM2.0 million. Nevertheless, this was partly mitigated by the Group's gross profit, resulting in narrower loss of RM1.6 million versus RM4.8 million in the immediate preceding quarter.

B3. Prospects

While economic recovery is underway, the construction industry remains challenging as labour supply issues and increased cost of operations stemming from the effects of the Covid-19 pandemic and global economic uncertainty continue to affect profitability. Management will continue to monitor and manage the Group's business risks.

The Group's focus is on the execution and timely completion of the existing of twenty three (23) on-going projects, in addition to tendering for more projects to replenish its order book. The Group is hopeful that the revised Budget 2023 to be tabled in February would positively impact Malaysia's construction sector.

Looking at Cambodia, The Royal Government expects the Cambodian economy to grow by 6.6% in 2023 as compared to 4.8% in 2022. Cambodia's economic growth ambition hinges upon Chinese tourists returning, US\$1.6 billion in numerous investments of infrastructure projects centered around Cambodia under the Belt and Road Initiative and enhancement of trade relationship with some countries. The economic growth is expected to contribute to a 9.4% growth in the construction sector between 2023 and 2026. The Group believes that its track record, existing fleet in Phnom Penh and positive progress in its present undertakings will place it 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.

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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 31 December 2022 is stated after charging/(crediting):-

	Current period ended 31.12.2022 RM'000	Preceding year corresponding period 31.12.2021 RM'000
Depreciation of investment properties	30	7
Depreciation of property, plant and equipment	4,718	9,762
Depreciation of right-of use assets	536	144
Finance income	(210)	(222)
Finance costs	2,299	1,599
Gain on disposal of investment property	(104)	-
Gain on disposal of property, plant and equipment	-	(141)
Fair value gain from other investments	(7)	(11)
	<u>(7)</u>	<u>(11)</u>

B6. Taxation

	Current period ended 31.12.2022 RM'000	Preceding year corresponding period 31.12.2021 RM'000
Current tax:-		
- Current financial period	1,190	1,536
- Under provision in the previous financial year	205	-
Withholding tax	1,218	-
Real property gain tax	5	-
	<u>2,618</u>	<u>1,536</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 16 February 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 31 December 2022 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Revolving credit	33,000	-	33,000
Term loans	7,417	22,680	30,097
	<u>40,417</u>	<u>22,680</u>	<u>63,097</u>
<u>Unsecured</u>			
Hire purchase liabilities	554	293	847
Bankers acceptances	38,708	-	38,708
	<u>39,262</u>	<u>293</u>	<u>39,555</u>
	<u>79,679</u>	<u>22,973</u>	<u>102,652</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

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B9. Ageing Analysis of Trade Receivables

	As at 31.12.2022 RM'000	As at 30.06.2022 RM'000
Not past due	159,578	152,898
Past due 1 - 60 days	30,816	38,976
Past due 61 to 120 days	11,533	70,422
Past due more than 120 days	231,738	191,580
	<u>274,086</u>	<u>300,978</u>
Total Trade Receivables	433,665	453,876
Less: Impairment losses	(23,775)	(23,775)
Net Trade Receivables	409,890	430,101
Other receivables and deposits	6,917	7,937
	<u>416,807</u>	<u>438,038</u>

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 16 February 2023, being a date not earlier than 7 days from the date of this announcement.

	As at 16.02.2023 RM'000	As at 30.06.2022 RM'000
Company		
Financial guarantees given to suppliers and banks for facilities	76,305	79,424

B11. Material Litigation

The Group does not have any material litigation as at 16 February 2023, 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 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 period ended 31.12.2022	Preceding year corresponding period 31.12.2021
Loss attributable to ordinary shareholders of the Company for the financial period (RM'000)	(6,462)	(11,172)
Weighted average number of ordinary shares in issue ('000)	1,417,500	1,417,500
Basic loss per ordinary share (sen)	(0.46)	(0.79)

B14 Authorised for issue

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