



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

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

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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 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 31 December 2023.

A8. Dividends Paid

No dividend was declared and paid in the current quarter ended 31 December 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 quarter ended 31 December 2023.

A11. Significant Post Balance Sheet

There were no material events as at 21 February 2024, 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 21 February 2024, being a date not earlier than 7 days from the date of this announcement, save for the following:-

	As at 21.2.2024 RM'000	As at 30.06.2023 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	46,708	54,203

A14. Capital Commitments

	As at 31.12.2023 RM'000	As at 30.06.2023 RM'000
Capital expenditure Authorised and contracted for	10,473	11,132

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter ended 31 December 2023.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 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 (Amount/%) RM'000 / %	Cumulative Period		Changes (Amount/%) RM'000 / %		
	Current year quarter 31.12.2023 RM'000	Preceding year corresponding quarter 31.12.2022 RM'000		Current financial year 31.12.2023 RM'000	Previous financial year 31.12.2022 RM'000			
Revenue	110,346	95,325	15,021	15.8%	230,941	177,184	53,757	30.3%
Gross (loss) / profit	(2,940)	7,174	(10,114)	-141.0%	(391)	6,337	(6,728)	-106.2%
Loss before tax	(9,279)	(327)	(8,952)	-2737.6%	(11,144)	(3,844)	(7,300)	-189.9%
Loss for the period	(10,118)	(1,635)	(8,483)	-518.8%	(13,311)	(6,462)	(6,849)	-106.0%

Group's Financial Performance

The Group recorded a revenue of RM 110.3 million for the current financial quarter ending 31 December 2023 as compared to RM 95.3 million in the preceding year corresponding quarter mainly from its piling and foundation services for property development projects.

The Group recorded a gross loss of RM 2.9 million for the current financial quarter ending 31 December 2023 as compared to RM 7.2 million gross profit for the corresponding quarter in the preceding year. This was mainly due to cost overrun in certain projects.

The Group recorded a higher loss of RM 10.1 million as compared to RM 1.6 million for the corresponding quarter in the preceding year. The increase in loss for the period was in line with the gross loss stated above.

Project Updates and Order Book

As at 31 December 2023, there are 19 on-going projects at various stages of completion and our order book stood at approximately RM 303.9 million. Concentration of credit risk with respect of trade receivables is limited except for four (4) customers which accounted for 49.3% (including retention sum) of trade receivables as at 31 December 2023.

B2. Comparison with Preceding Quarter's Results

	3 Months Individual Period		Changes (Amount/%) RM'000 / %
	31.12.2023 RM'000	30.09.2023 RM'000	
Revenue	110,346	120,595	(10,249) -8.5%
Gross (loss)/profit	(2,940)	2,549	(5,489) -215.3%
Loss before tax	(9,279)	(1,865)	(7,414) -397.5%
Loss for the period	(10,118)	(3,192)	(6,926) -217.0%

In the current financial quarter, the Group recorded a gross loss as compared to a gross profit in immediate preceding quarter mainly due to cost overrun in certain projects in this current financial quarter. The loss for the period was in line with the gross loss stated above.

B3. Prospects

In line with industry forecast, we anticipate Malaysia's construction sector to gain momentum in 2024, underpinned by big-ticket infrastructure projects such as Mass Rapid Transit 3 ("MRT3") and Penang Light Rail Transit ("LRT"). In the immediate term however, we maintain our dependence on private development jobs in a thin-margin environment.

As for Cambodia, we foresee continuation of projects in Phnom Penh after completion of existing jobs. While the number of jobs available may be limited, our track record and extensive fleet of machinery position us well to tender for complex deep basement projects in the city with reasonable margins.

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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 2023 is stated after charging/(crediting):-

	Current period ended 31.12.2023 RM'000	Preceding year corresponding period 31.12.2022 RM'000
Depreciation of investment properties	30	30
Depreciation of property, plant and equipment	1,793	4,718
Depreciation of right-of-use assets	542	536
Fair value gain from other investments	(9)	(7)
Finance income	(568)	(210)
Finance costs	3,009	2,299
Gain on disposal of investment property	-	(104)
Gain on disposal of property, plant and equipment	(1,027)	-
Reversal of impairment loss on financial instruments	(242)	-

B6. Taxation

	Current period ended 31.12.2023 RM'000	Preceding year corresponding period 31.12.2022 RM'000
Current tax:-		
- Current year	1,212	1,190
- Under provision in the previous financial year	60	205
Withholding tax	895	1,218
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 21 February 2024, 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 2023 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Revolving credit	53,000	-	53,000
Bank loans	7,422	15,259	22,681
	<u>60,422</u>	<u>15,259</u>	<u>75,681</u>
<u>Unsecured</u>			
Hire purchase liabilities	468	342	810
Bankers' acceptances	55,774	-	55,774
	<u>56,242</u>	<u>342</u>	<u>56,584</u>
	<u>116,664</u>	<u>15,601</u>	<u>132,265</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2023

B9. Ageing Analysis of Trade Receivables

	As at 31.12.2023 RM'000	As at 30.06.2023 RM'000
Not past due	159,767	151,615
Past due 1 - 60 days	34,150	34,483
Past due 61 to 120 days	31,631	23,296
Past due more than 120 days	221,718	211,393
	<u>287,499</u>	<u>269,172</u>
Total Trade Receivables	447,266	420,787
Less: Impairment losses	(6,738)	(6,980)
Net Trade Receivables	440,528	413,807
Other receivables and deposits	17,004	11,015
	<u>457,532</u>	<u>424,822</u>

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 21 February 2024, being a date not earlier than 7 days from the date of this announcement.

	As at 21.2.2024 RM'000	As at 30.06.2023 RM'000
Company		
Financial guarantees given to suppliers and banks for facilities	<u>117,985</u>	<u>97,527</u>

B11. Material Litigation

- a. 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 obtained 2 Adjudication Decisions in its favour and has thereafter successfully enforced the 2 Adjudication Decisions as Orders/Judgments of High Court in 2019 and in 2020, respectively (“HC Decisions”). ASMKL has then appealed against the HC Decisions to the Court of Appeal as well as to the Federal Court. The Federal Court had on 3 October 2023 upheld and/or affirmed the HC Decisions.

As no payment was forthcoming from ASMKL, EMSB has also commenced various execution proceedings against ASMKL to recover the judgment sums pursuant to the HC Decisions since 2020. One of the execution proceedings initiated by EMSB is the Writ of Seizure and Sale proceedings (“WSS”) whereby prohibitory orders (“PO”) were obtained against a piece of land owned by ASMKL (“Land”), for the purposes of selling the Land by way of a public auction. The first public auction of the Land took place on 6 December 2023 (“Public Auction”). However, the Land could not be sold as there was no bidder.

Nevertheless, a day before the Public Auction, on 5 December 2023, ASMKL has filed for a Judicial Management (“JM”) pursuant to Sections 404 and 405 of the Companies Act 2016. With the filing of the JM application, ASMKL has automatic moratorium of proceedings (Section 410 of the Companies Act 2016) until the JM application is disposed of. In this regard, all legal proceedings against ASMKL cannot be initiated and/or continued without the leave of court. On 30 Jan 2024, EMSB has successfully intervened in the JM proceedings i.e., granted permission to participate and/or oppose to the JM application. On the same day, leave of court has also been obtained for EMSB to i) extend the validity of the PO; and ii) file an application to fix a new public auction date. As of this date, EMSB is actively opposing the JM application and/or in the midst of obtaining leave of court to continue with the other ongoing legal proceedings against ASMKL. The hearing proper of the JM application is now fixed for 24 May 2024.

- b. EMSB had in December 2023, received a Notice of Arbitration (“the Notice of Arbitration”) from Gabungan Strategik Sdn Bhd (“GSSB” or “the Claimant”) in respect of the arbitration raised by GSSB against China Communication Construction Company (M) Sdn Bhd (“CCCC”) and EMSB (collectively, “CCCC-EMSB” or “the Respondents”) (“the Arbitration”).

In December 2016, the GSSB had awarded to CCCC-EMSB the Sub-Contract for the foundation and substructure works for Sungai Besi-Ulu Kelang Elevated Expressway Package CA3 (“the Sub-Contract”). A joint venture agreement was entered into by CCCC and EMSB defining each party’s roles and responsibilities for the purpose of undertaking the works for the Sub-Contract.

The subject matter of the Arbitration relates to the alleged wrongful termination of the Sub-Contract by CCCC-EMSB, and the alleged loss and damages suffered by GSSB. CCCC-EMSB denies all allegations raised by GSSB.

A joint response to the Notice of Arbitration has been submitted by CCCC-EMSB to GSSB in January 2024.

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B12. Dividend

No dividend was declared for the quarter ended 31 December 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:-

	Current financial year ending 31.12.2023	Previous financial year ending 31.12.2022
Loss attributable to ordinary shareholders of the Company for the financial year (RM'000)	(13,311)	(6,462)
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>(0.94)</u>	<u>(0.46)</u>

B14 Authorised for issue

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