



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 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 2015.

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 2015 except for the following new/revised MFRSs and amendments to MFRSs:

		Effective for annual periods beginning on or after
Amendments to MFRS 5	Non-current Assets Held for Sale and Discontinued Operations (Annual Improvements 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 7	Financial Instruments: Disclosures (Annual Improvements 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 10	Consolidated Financial Statements	1 January 2016
Amendments to MFRS 12	Disclosure of Interests in Other Entities	
Amendments to MFRS 128	Investments in Associates and Joint Ventures - Investment Entities: Applying the Consolidation Exceptions	1 January 2016
Amendments to MFRS 11	Joint Arrangements - Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
MFRS 14	Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 101	Presentation of Financial Statements - Disclosure Initiative	1 January 2016
Amendments to MFRS 116 and MFRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 116 and MFRS 141	Agriculture: Bearer Plants	1 January 2016
Amendments to MFRS 119	Employee Benefits (Annual Improvements 2012-2014 Cycle)	1 January 2016
Amendments to MFRS 127	Equity Method in Separate Financial Statement	1 January 2016
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2012-2014 Cycle)	1 January 2016
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
MFRS 9	Financial Instruments (2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019

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 2015 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 March 2016.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 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 March 2016.

A8. Dividends Paid

No dividends were paid by the Company in the current quarter ended 31 March 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 2015.

A11. Significant Post Balance Sheet Event

There were no material events as at 19 May 2016, 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 and financial period 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 2015 to 19 May 2016, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 19.05.16 RM'000	As at 30.06.15 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers and suppliers in relation to construction contracts	96,489	29,417
Company		
- Corporate Guarantee given to contract customers and suppliers in relation to construction contracts	58,703	4,960

A14. Capital Commitments

	As at 31.03.16 RM'000	As at 30.06.15 RM'000
Capital expenditure Authorised and contracted for	417	1,404

A15. Significant Related Party Transactions

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

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 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**

	Current year quarter 31.03.16 RM'000	Preceding year corresponding quarter 31.03.15 RM'000	Current financial period ended 31.03.16 RM'000	Preceding year corresponding period ended 31.03.15 RM'000
Revenue	122,066	114,126	333,708	325,155
Profit before taxation	24,037	17,091	66,310	45,244

The Group recorded a revenue of RM333.7 million for the current nine (9) months financial period ended 31 March 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 RM331.8 million or 99.4% and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM1.9 million or 0.6%.

The Group recorded a profit before tax of RM66.3 million for the current nine (9) months financial period ended 31 March 2016, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax margin stood at 25.0% and 19.9% respectively, for the current financial period ended 31 March 2016.

B2. Comparison with Preceding Quarter's Results

	Current quarter ended 31.03.16 RM'000	Preceding quarter ended 31.12.15 RM'000
Revenue	122,066	110,564
Profit before taxation	24,037	22,399

In the third quarter ended 31 March 2016, the Group recorded an increase in revenue of RM11.5 million to RM122.1 million from RM110.6 million in the preceding quarter ended 31 December 2015. This increase in revenue was mainly due to certain major projects reaching its advanced billing milestones. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 31 March 2016, amounted to RM120.4 million and RM1.7 million respectively, as compared to RM110.4 million and RM0.2 million respectively, in the preceding quarter ended 31 December 2015.

The improvement in the profit before tax for the current quarter ended 31 March 2016 of RM1.6 million or 7.3% as compared to the preceding quarter ended 31 December 2015 is in line with the improvement in current quarter billings.

B3. Prospects

The Directors expect the Group's 2016 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 - THIRD QUARTER ENDED 31 MARCH 2016**B5. Profit Before Tax**

Profit for the current quarter and nine months financial period is stated after charging/(crediting) :-

	Current Current financial period quarter ended 31.03.16 RM'000	Current financial period ended 31.03.16 RM'000
Depreciation of investment properties	20	38
Depreciation of properties, plant and equipments	4,993	14,741
Expenses related to defined benefit plan	1,341	1,496
Finance income	(232)	(653)
Finance expense	370	1,112

B6. Taxation

	Current Current financial period quarter ended 31.03.16 RM'000	Current financial period ended 31.03.16 RM'000
Current tax expense		
- current year	6,147	17,350
Deferred tax expense	-	-
	<u>6,147</u>	<u>17,350</u>

The effective tax rate for the current quarter and nine months financial period ended 31 March 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 19 May 2016, 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 March 2016.

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 March 2016.

B10. Group Borrowings and Debt Securities

The Group's borrowings as at 31 March 2016 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances	16,958	-	16,958
Finance lease liabilities	4,801	2,458	7,259
Term loans	114	2,640	2,754
	<u>21,873</u>	<u>5,098</u>	<u>26,971</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

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

	As at 31.03.16 RM'000	As at 30.06.15 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	198,229	154,724
- unrealised	(3,622)	(3,727)
Total retained earnings as per consolidated accounts	<u>194,607</u>	<u>150,997</u>

B12. Off Balance Sheet Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 19 May 2016, being a date not earlier than 7 days from the date of this announcement.

	As at 19.05.16 RM'000	As at 30.06.15 RM'000
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	<u>96,489</u>	<u>29,417</u>

B13. Material Litigation

In June 2015, a subsidiary of the Group 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.

In the opinion of the solicitors, there is a good chance that the tribunal will rule in favour of the subsidiary in regards to its claims against the customer for default in payment and wrongful termination. The solicitors also opined that the customer's claims via its Notice of Demand are unsustainable, premature and unjustified.

Save for the above, the Group does not have any material litigation as at 19 May 2016, 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 second interim dividend of 2.5 sen per ordinary share, amounting to RM13,375,000.25 which is to be paid on 28 June 2016.

B15. Earnings Per Share

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

	Current quarter ended 31.03.16 RM'000	Current financial period ended 31.03.16 RM'000
Profit for the quarter/period, attributable to owners of the parent	<u>17,890</u>	<u>48,960</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>3.34</u>	<u>9.15</u>

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