



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER AND NINE MONTHS ENDED 31 MARCH 2020

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 2019.

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 2019 except for the following new/revised MFRSs and amendments to MFRSs:

		Effective for annual periods beginning on or after
Amendments to MFRS 3	Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
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 2019 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 2020, save for those disclosed in Notes B1 and B2.

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 that have a material effect on results during the current quarter and financial period ended 31 March 2020.

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 2020.

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A8. Dividends Paid

The Company paid the First and Final Dividend of 0.5 sen per ordinary share in respect of financial year ended 30 June 2019, amounting to RM6,687,500.13 on 20 December 2019. No dividend was paid during the reporting quarter ended 31 March 2020.

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 2019.

A11. Significant Post Balance Sheet Event

There were no material events as at 22 May 2020, being the date not earlier than 7 days from the date of this announcement, other than the Covid-19 pandemic and Movement Control Order ("MCO") and conditional MCO since 18 March 2020 which have caused significant disruptions and financial impact to the Group.

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 ended 31 March 2020.

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 2019 to 22 May 2020, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 22.05.20 RM'000	As at 30.06.19 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	81,495	80,598
Company		
- Guarantees given to banks for facilities granted to a subsidiary	69,623	58,362
- Guarantees given to suppliers for credit terms granted to a subsidiary	15,886	27,464

A14. Capital Commitments

	As at 31.03.20 RM'000	As at 30.06.19 RM'000
Capital expenditure Authorised and contracted for	10,737	12,647

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter and financial period ended 31 March 2020.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER AND NINE MONTHS ENDED 31 MARCH 2020**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	Preceding year	Changes	Current	Preceding year	Changes
	quarter	corresponding		financial period	corresponding	
	31.03.20	quarter	(Amount/%)	31.03.20	period	(Amount/%)
RM'000	31.03.19	RM'000 / %	RM'000	31.03.19	RM'000 / %	
Revenue	99,304	138,260	(38,956) / 28.2%	372,356	486,738	(114,382) / 23.5%
Gross profit	10,502	26,824	(16,322) / 60.8%	43,970	31,786	12,184 / 38.3%
Profit before taxation	4,902	22,388	(17,486) / 78.1%	29,004	3,309	25,695 / >100%
Profit after taxation	1,319	21,745	(20,426) / 93.9%	18,821	2,341	16,480 / >100%

Group's Financial Performance

The Group recorded a revenue of RM372.4 million for the current nine (9) months financial period ended 31 March 2020 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 RM267.0 million or 71.7% (3QFY19 - RM370.7 million or 76.2%) and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM105.4 million or 28.3% (3QFY19 - RM116.0 million or 23.8%).

The Group recorded a profit before tax of RM29.0 million for the current nine (9) months financial period ended 31 March 2020. Gross profit margin and profit before tax margin stood at 11.8% (3QFY19 - 6.5%) and 7.8% (3QFY19 - 0.7%) respectively, for the current financial period ended 31 March 2020.

The Group recorded a decline in current period revenue from both the piling segments from property development projects and infrastructure projects of RM103.7 million or 28.0% and RM10.6 million or 9.1% respectively, as a results of a weaker local construction market coupled with a shorter working days for the current quarter due to the implementation of the Movement Control Order ("MCO") for construction site activities by the Government of Malaysia in light of the Covid-19 pandemic on 18 March 2020.

Other Income

Included in Other Income during the current financial period is rental income of equipments and gain from disposal of machineries amounting to RM0.9 million as compared to RM2.0 million in the preceding year corresponding period.

Project Updates and Order Book

As at 31 March 2020, there are 25 on-going projects at various stages of completion. Order book stood at approximately RM0.7 billion as at 31 March 2020. Concentration of credit risk with respect of trade receivables is limited except for three (3) customers which accounted for 39.5% (including retention sum) of trade receivables as at 31 March 2020.

B2. Comparison with Preceding Quarter's Results

	Current	Preceding	Changes
	quarter ended	quarter ended	(Amount/%)
	31.03.20	31.12.19	RM'000 / %
	RM'000	RM'000	
Revenue	99,304	137,696	(38,392) / 27.9%
Gross profit	10,502	16,503	(6,001) / 36.4%
Profit before taxation	4,902	12,121	(7,219) / 59.6%
Profit after taxation	1,319	8,655	(7,336) / 84.8%

In the current third quarter ended 31 March 2020, the Group recorded a lower revenue of RM99.3 million from RM137.7 million in the most recent preceding quarter ended 31 December 2019. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 31 March 2020, amounted to RM75.8 million and RM23.5 million respectively, as compared to RM96.0 million and RM41.7 million respectively, in the preceding quarter ended 31 December 2019.

The decrease in revenue and gross profit for the current quarter as compared to the most recent preceding quarter is due mainly to the shorter working days in the current quarter due to festive holiday break and MCO restriction on site activities since 18 March 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER AND NINE MONTHS ENDED 31 MARCH 2020

B3. Prospects

As the world faces one of the worst crisis, the Covid-19 pandemic, Malaysia is not spared. On 18 March 2020, the Government of Malaysia implemented the MCO as a preventive measure to control the spread of the disease in the country. As a result of this MCO, the construction sector which is deemed non-essential services, came to a grinding halt.

However, Ministry of International Trade and Industry has recently lifted certain job scopes under the construction sector granting Econpile the exemption to re-commence critical site activities during this conditional MCO. Whilst ensuring the safety, health and well-being of its employees at project sites, Econpile is taking necessary steps and adhering to strict standard-operating-procedures on these projects.

On the back of the uncertainty over the multiplier effect of economic consequences resulting from the Covid-19 pandemic and the gradual re-commencement effects on the whole construction supply chain, our Group's operations and financial is adversely affected by such disruptions whilst more cost-cutting measures may be implemented.

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 March 2020 is stated after charging/(crediting) :-

	Current quarter ended 31.03.20 RM'000	Current financial period 31.03.20 RM'000
Depreciation of investment properties	19	51
Depreciation of properties, plant and equipments	6,374	20,339
Depreciation of right-of-use assets	91	-
Finance income	(112)	(467)
Finance expense	672	2,206

B6. Taxation

	Current quarter ended 31.03.20 RM'000	Current financial period 31.03.20 RM'000
Current tax expense		
- current year	1,095	7,699
- prior year	2,488	2,484
Deferred tax expense	-	-
	3,583	10,183

Included in the current quarter tax expenses of RM3.58 million is an amount of RM2.49 million being under provision of tax for Year of Assessment 2019. The effective tax rate for the financial period ended 31 March 2020 is higher than the statutory tax rate of 24 percent is primarily due to certain expenses not allowable for tax purposes whereas the slightly lower effective tax rate for current quarter is due to timing differences.

B7. Status of Corporate Proposal

There were no pending corporate proposals up to 22 May 2020, 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 March 2020 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances and revolving credits	56,102	-	56,102
Finance lease liabilities	3,920	168	4,088
Term loans	399	3,417	3,816
	60,421	3,585	64,006

All borrowings of the Group are denominated in Ringgit Malaysia.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER AND NINE MONTHS ENDED 31 MARCH 2020

B9. Ageing Analysis of Trade Receivables

	As at 31.03.20 RM'000	As at 30.06.19 RM'000
Neither past due nor impaired	153,481	194,239
1 to 60 days past due not impaired	68,851	84,793
61 to 120 days past due not impaired	34,855	49,276
More than 121 days past due not impaired	81,726	79,793
	185,432	213,862
Impaired	16,430	16,337
Total Trade Receivables	355,343	424,438
Less: Allowance for impairment	(16,430)	(16,337)
Net Trade Receivables	338,913	408,101
Other receivables and deposits	4,343	4,560
	<u>343,256</u>	<u>412,661</u>

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 22 May 2020, being a date not earlier than 7 days from the date of this announcement.

	As at 22.05.20 RM'000	As at 30.06.19 RM'000
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	81,495	80,598

B11. Material Litigation

The Group does not have any material litigation as at 22 May 2020, being a date not earlier than 7 days from the date of this announcement.

B12. Dividend

No dividend was declared for the current quarter and financial period ended 31 March 2020.

B13. Earnings Per Share

The earnings per share for the current quarter and financial period ended 31 March 2020 is computed as follows:-

	Current quarter ended 31.03.20	Current financial period ended 31.03.20
Profit attributable to the Owners of the Company for the financial period (RM'000)	1,319	18,821
Weighted average number of ordinary shares in issue ('000)	1,337,500	1,337,500
Basic Earnings Per Share (sen)	0.10	1.41

There is no diluted earnings per share as at the end of the quarter and financial period ended 31 March 2020 as it is anti-dilutive.