



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 MARCH 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 2020.

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 2020 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 16	Covid-19 Related Rent Concessions	1 June 2020
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 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2023
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

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 2020 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 the proceeds received from private placement of 80,000,000 shares that was exercised in December 2020 at RM0.515 per share and those disclosed in notes B1 and B2, for financial period ended 31 March 2021.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 MARCH 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 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, save for the private placement of 80,000,000 shares were exercised in the month of December 2020 at RM0.515 per share for financial period ended 31 March 2021.

A8. Dividends Paid

No dividend was declared and paid in the period ended 31 March 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. The Group has expanded its business to Cambodia in the quarter ended 31 March 2021.

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 2020.

A11. Significant Post Balance Sheet Event

There were no material events as at 20 May 2021, 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 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, save for the acquisition of the wholly-owned subsidiary in Cambodia in December 2020, and financial period ended 31 March 2021.

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 2020 to 20 May 2021, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 20.05.2021 RM'000	As at 30.06.2020 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	67,247	70,674
Company		
- Guarantees given to banks for facilities granted to a subsidiary	71,988	76,185
- Guarantees given to suppliers for credit terms granted to a subsidiary	14,221	13,678

A14. Capital Commitments

	As at 31.03.2021 RM'000	As at 30.06.2020 RM'000
Capital expenditure Authorised and contracted for	13,469	10,737

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter and financial period ended 31 March 2021.

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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 quarter	Preceding year corresponding quarter	Changes (Amount/%)	Current financial period	Preceding year corresponding period	Changes (Amount/%)
	31.03.2021 RM'000	31.03.2020 RM'000	RM'000 / %	31.03.2021 RM'000	31.03.2020 RM'000	RM'000 / %
Revenue	129,604	99,304	30,300 30.5%	326,496	372,356	(45,860) -12.3%
Gross profit	8,557	10,502	(1,945) -18.5%	28,350	43,970	(15,620) -35.5%
Profit before taxation	5,051	4,902	149 3.0%	15,071	29,004	(13,933) -48.0%
Profit after taxation	2,611	1,319	1,292 98.0%	10,033	18,821	(8,788) -46.7%

Group's Financial Performance

The Group recorded a revenue of RM326.5 million for the current nine (9) months financial period ended 31 March 2021 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 RM257.0 million or 78.7% (YTD 3Q2020 - RM267.0 million or 71.7%) and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM69.4 million or 21.3% (YTD 3Q2020 - RM105.4 million or 28.3%).

The Group recorded a profit before tax of RM15.1 million for the current nine (9) months financial period ended 31 March 2021, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax ("PBT") margin stood at 8.7% (YTD 3Q2020 - 11.8%) and 3.1% (YTD 3Q2020 - 7.8%) respectively, for the current financial period ended 31 March 2021. The lower revenue in the current nine (9) months period is due mainly to lower billings as certain major property development projects are at advanced completion milestones and also slower-than-expected site activities due to current Covid-19 pandemic in the current financial period. The current financial period's gross profit and PBT margins has reduced due to the rising raw material prices and the pandemic compliance costs at sites.

Other Income

Included in Other Income for the current financial period is rental income of equipments, disposal of investment property and net recovery of bad debts amounting to RM1.2 million as compared to RM0.9 million in the preceding year corresponding period.

Project Updates and Order Book

As at 31 March 2021, there are 25 on-going projects at various stages of completion. Order book stood at approximately RM0.76 billion as at 31 March 2021. Concentration of credit risk with respect of trade receivables is limited except for three (3) customers which accounted for 46.3% (including retention sum) of trade receivables as at 31 March 2021.

B2. Comparison with Preceding Quarter's Results

	Current quarter ended 31.03.2021 RM'000	Preceding quarter ended 31.12.2020 RM'000	Changes (Amount/%) RM'000 / %
Revenue	129,604	94,937	34,667 36.5%
Gross profit	8,557	9,359	(802) -8.6%
Profit before taxation	5,051	2,384	2,667 111.9%
Profit after taxation	2,611	1,834	777 42.4%

In the current third quarter ended 31 March 2021, the Group recorded a higher revenue of RM34.7 million to RM129.6 million from RM94.9 million in the preceding quarter ended 31 December 2020. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 31 March 2021, amounted to RM104.2 million and RM25.4 million respectively, as compared to RM74.7 million and RM20.2 million respectively, in the preceding quarter ended 31 December 2020. The higher revenue was attributed to the project sites being able to resume the normal activities after being affected by Covid-19 in the preceding quarter.

The higher profit before tax for the current quarter ended 31 March 2021 as compared to the preceding quarter ended 31 December 2020 was mainly due to the higher revenue and other income in addition to the lower administrative expenses in the current quarter.

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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 and financial period ended 31 March 2021 is stated after charging/(crediting) :-

	Current quarter ended 31.03.2021 RM'000	Current financial period 31.03.2021 RM'000
Depreciation of investment properties	(42)	(4)
Depreciation of properties, plant and equipments	5,700	17,130
Depreciation of right-of-use assets	25	76
Finance income	(137)	(253)
Finance expense	609	2,412

B6. Taxation

	Current quarter ended 31.03.2021 RM'000	Current financial period 31.03.2021 RM'000
Current tax expense		
- current period/year	2,440	5,038
- prior year		
Deferred tax expense		
	<u>2,440</u>	<u>5,038</u>

The effective tax rate for the current quarter and financial period ended 31 March 2021 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 20 May 2021, 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 2021 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances	54,045		54,045
Revolving credit	18,000		18,000
Hire purchase liabilities	154		154
Term loans	415	2,991	3,406
	<u>72,614</u>	<u>2,991</u>	<u>75,605</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

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B9. Ageing Analysis of Trade Receivables

	As at 31.03.2021 RM'000	As at 30.06.2020 RM'000
Neither past due nor impaired	48,229	146,879
1 to 60 days past due not impaired	45,524	20,261
61 to 120 days past due not impaired	34,643	39,209
More than 120 days past due not impaired	205,242	114,653
	285,409	174,123
Impaired	20,755	22,430
Total Trade Receivables	354,393	343,432
Less: Allowance for impairment	(20,755)	(22,430)
Net Trade Receivables	333,638	321,002
Other receivables and deposits	3,750	3,356
	<u>337,388</u>	<u>324,358</u>

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 20 May 2021, being a date not earlier than 7 days from the date of this announcement.

	As at 20.05.2021 RM'000	As at 30.06.2020 RM'000
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	67,247	70,674

B11. Material Litigation

The Group does not have any material litigation as at 20 May 2021, being a date not earlier than 7 days from the date of this announcement.

B12. Dividend

No dividend was declared for the financial year ending 30 June 2021 in the current quarter and financial period ended 31 March 2021.

B13. Earnings Per Share

The earnings per share for the current quarter and financial period ended 31 March 2021 is computed as follows:-

	Current quarter ended 31.03.2021	Current financial period ended 31.03.2021
Profit attributable to the Owners of the Company for the financial period (RM'000)	2,611	10,033
Weighted average number of ordinary shares in issue ('000)	1,343,587	1,340,543
Basic Earnings Per Share (sen)	0.19	0.75