



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

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 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 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 |
| 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 |
| Amendment to MFRS 101 | Classification of Liabilities as Current or Non-current | 1 January 2024 |
| Amendments to MFRS 101 | Non-current Liabilities with Covenants | 1 January 2024 |
| 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 Cyclical of Interim Operations

The Group's results are not materially affected by any seasonal or cyclical factors.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2023

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 year ended 30 June 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 30 June 2023.

A8. Dividends Paid

No dividend was declared and paid in the current quarter ended 30 June 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 year ended 30 June 2022.

A11. Significant Post Balance Sheet

There were no material events as at 23 August 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 23 August 2023, being a date not earlier than 7 days from the date of this announcement, save for the following:-

| | As at 23.08.2023 RM'000 | As at 30.06.2022 RM'000 |
|--|--|--|
| Contingent Liabilities (Unsecured) Group | | |
| - Guarantees given to contract customers in relation to construction contracts | 144,196 | 78,870 |

A14. Capital Commitments

| | As at 30.06.2023 RM'000 | As at 30.06.2022 RM'000 |
|--|--|--|
| Capital expenditure Authorised and contracted for | 11,132 | 10,452 |

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter ended 30 June 2023.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 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 30.06.2023 RM'000 | Preceding year corresponding quarter 30.06.2022 RM'000 | | Current financial year 30.06.2023 RM'000 | Previous financial year 30.06.2022 RM'000 | | | |
| Revenue | 102,116 | 91,621 | 10,495 | 11.5% | 375,983 | 366,551 | 9,432 | 2.6% |
| Gross (loss)/profit | (4,317) | (7,525) | 3,208 | 42.6% | 6,394 | (15,962) | 22,356 | 140.1% |
| Loss before tax | (8,311) | (9,222) | 911 | 9.9% | (10,924) | (31,566) | 20,642 | 65.4% |
| Loss for the period/year | (9,000) | (13,499) | 4,499 | 33.3% | (15,680) | (40,900) | 25,220 | 61.7% |

Group's Financial Performance

The Group recorded a revenue of RM 102.1 million for the financial quarter ended 30 June 2023 versus RM 91.6 million in the preceding year corresponding quarter mainly from its piling and foundation services for property development projects.

The Group recorded a lower gross loss of RM 4.3 million for the current financial quarter ended 30 June 2023 versus RM 7.5 million gross loss for the preceding year corresponding quarter mainly due to lower provision of expected losses from on-going onerous contracts.

In terms of loss for the period, the Group recorded a lower loss of RM 9.0 million versus RM 13.5 million for the preceding year corresponding quarter, due to lower gross loss as stated above.

Project Updates and Order Book

As at 30 June 2023, there are 25 on-going projects at various stages of completion. Order book stood at approximately RM 475.7 million as at 30 June 2023. Concentration of credit risk with respect of trade receivables is limited except for six (6) customers which accounted for 61.5% (including retention sum) of trade receivables as at 30 June 2023.

B2. Comparison with Preceding Quarter's Results

| | 3 Months Individual Period | | Changes (Amount/%) | |
|--------------------------|----------------------------|----------------------|--------------------|------------|
| | 30.06.2023 RM'000 | 31.03.2023 RM'000 | RM'000 | RM'000 / % |
| Revenue | 102,116 | 96,683 | 5,433 | 5.6% |
| Gross (loss)/profit | (4,317) | 4,375 | (8,692) | -198.7% |
| (Loss)/Profit before tax | (8,311) | 1,232 | (9,543) | 774.6% |
| Loss for the period | (9,000) | (217) | (8,783) | -4047.5% |

In the current financial quarter, the Group recorded marginal improvement in revenue as compared to the immediate preceding quarter. Nevertheless, the gross loss was attributed to losses from few completed projects. The loss before tax was in line with the gross loss and partially mitigated by foreign exchange gain incurred during the current quarter as compared to the immediate preceding quarter.

B3. Prospects

The Construction sector in Malaysia sustained its positive momentum in the first quarter of 2023 with the value of work done expanded by 9.4 per cent to RM32.2 billion. However, the absence of new infrastructure projects in the pipeline and the continual volatility of building material costs may likely affect market sentiments of the construction industry.

Moving forward, the Group's focus will be on the execution and timely completion of its 25 on-going projects and continual bidding for new projects in order to replenish the Group's order book.

Looking at Cambodia, the government has kept its baseline projection for Cambodia's economic growth this year at 5.6 per cent, as the Ukraine conflict and geopolitical unrest has slowed down regional and global economies, dented demands and contributed to an inflationary spiral. The construction and real estate sector are expected to experience muted growth due to sluggish construction activities and unusually high property prices. Despite the unfavourable market conditions, the Group has successfully secured a contract with Odom Living Co. totalling USD9.5 million on 30 May 2023. The Group believes that its track record, existing fleet in Phnom Penh and positive progress in its present undertakings, standing it in good stead for more projects in Cambodia.

The market remains competitive and the Group will continue to explore future opportunities amidst the uncertain economic environment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2023

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 year ended 30 June 2023 is stated after charging/(crediting):-

| | Current financial year ending 30.06.2023 RM'000 | Previous financial year ending 30.06.2022 RM'000 |
|---|--|---|
| Depreciation of investment properties | 61 | 70 |
| Depreciation of property, plant and equipment | 7,118 | 16,290 |
| Depreciation of right-of-use assets | 1,065 | 1,010 |
| Fair value loss/(gain) from other investments | 692 | (16) |
| Finance income | (699) | (416) |
| Finance costs | 4,641 | 3,527 |
| Gain on disposal of investment property | (104) | (221) |
| Gain on disposal of property, plant and equipment | (384) | (141) |
| (Write back)/Impairment loss on financial instruments | (1,500) | 1,637 |

B6. Taxation

| | Current financial year ending 30.06.2023 RM'000 | Previous financial year ending 30.06.2022 RM'000 |
|--|--|---|
| Current tax:- | | |
| - Current year | 2,351 | 2,888 |
| - Under provision in the previous financial year | 204 | 2,807 |
| Withholding tax | 2,196 | 3,639 |
| Real property gain tax | 5 | - |
| | <u>4,756</u> | <u>9,334</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 23 August 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 30 June 2023 are as follows:-

| | Short Term RM'000 | Long Term RM'000 | Total RM'000 |
|---------------------------|------------------------------|-----------------------------|-------------------------|
| <u>Secured</u> | | | |
| Revolving credit | 43,000 | - | 43,000 |
| Bank loans | 7,418 | 18,971 | 26,389 |
| | <u>50,418</u> | <u>18,971</u> | <u>69,389</u> |
| <u>Unsecured</u> | | | |
| Hire purchase liabilities | 568 | 6 | 574 |
| Bankers' acceptances | 40,695 | - | 40,695 |
| | <u>41,263</u> | <u>6</u> | <u>41,269</u> |
| | <u>91,681</u> | <u>18,977</u> | <u>110,658</u> |

All borrowings of the Group are denominated in Ringgit Malaysia.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2023

B9. Ageing Analysis of Trade Receivables

| | As at 30.06.2023 RM'000 | As at 30.06.2022 RM'000 |
|--------------------------------|--|--|
| Not past due | 154,607 | 152,898 |
| Past due 1 - 60 days | 46,122 | 35,975 |
| Past due 61 to 120 days | 23,402 | 70,422 |
| Past due more than 120 days | 196,656 | 191,580 |
| | <u>266,180</u> | <u>297,977</u> |
| Total Trade Receivables | 420,787 | 450,875 |
| Less: Impairment losses | (6,980) | (23,775) |
| Net Trade Receivables | 413,807 | 427,100 |
| Other receivables and deposits | 7,565 | 7,938 |
| | <u>421,372</u> | <u>435,038</u> |

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 23 August 2023, being a date not earlier than 7 days from the date of this announcement.

| | As at 23.08.2023 RM'000 | As at 30.06.2022 RM'000 |
|--|--|--|
| Company | | |
| Financial guarantees given to suppliers and banks for facilities | <u>106,902</u> | <u>89,795</u> |

B11. Material Litigation

With respect to material litigation, 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 has successfully enforced two Adjudication Decisions as Orders/Judgments of High Court in 2019 and in 2020, respectively. ASMKL has then filed several applications to the higher courts to appeal against the said Orders/Judgements.

The court hearings related to the two Adjudication Decisions are ongoing, with the next hearing at the Federal Court fixed on 3 October 2023.

As for the arbitration proceeding, the hearing is also in progress, with dates fixed until March 2024.

B12. Dividend

No dividend was declared for the quarter ended 30 June 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 30.06.2023 | Previous financial year ending 30.06.2022 |
|---|---|--|
| Loss attributable to ordinary shareholders of the Company for the financial year (RM'000) | (15,680) | (40,900) |
| 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>(1.11)</u> | <u>(2.89)</u> |

B14 Authorised for issue

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