



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2015

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 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 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRS 10 and MFRS 12	Investment Entities: Applying the Consolidation Exception	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	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
MFRS 15	Revenue from Contracts with Customers	1 January 2017
MFRS 9	Financial Instruments (2014)	1 January 2018

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 ended 30 September 2015.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2015**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 ended 30 September 2015.

A8. Dividends Paid

No dividends were paid by the Company in the current quarter ended 30 September 2015.

A9. Segmental Reporting

The Group's financial information analysed by business segment is as follows:

	Piling and Foundation Services RM'000	Investment holding, Property Investment, Rental of Machinery and Sales of Goods RM'000	Elimination RM'000	Total RM'000
<i>Current quarter and period ended 30 September 2015:</i>				
Revenue				
Revenue from external sales	101,078	-	-	101,078
Inter-segment sales	-	60	(60)	-
	<u>101,078</u>	<u>60</u>	<u>(60)</u>	<u>101,078</u>
Results				
Segment Results	20,269	(16)	-	20,253
Finance costs	(379)	-	-	(379)
Profit before taxation	19,890	(16)	-	19,874
Taxation	(5,369)	(10)	-	(5,379)
Profit after taxation	<u>14,521</u>	<u>(26)</u>	<u>-</u>	<u>14,495</u>
<i>Current quarter and period ended 30 September 2014:</i>				
Revenue				
Revenue from external sales	106,300	-	-	106,300
Inter-segment sales	-	60	(60)	-
	<u>106,300</u>	<u>60</u>	<u>(60)</u>	<u>106,300</u>
Results				
Segment Results	13,511	34	-	13,545
Finance costs	(243)	-	-	(243)
Profit before taxation	13,268	34	-	13,302
Taxation	(3,780)	(12)	-	(3,792)
Profit after taxation	<u>9,488</u>	<u>22</u>	<u>-</u>	<u>9,510</u>
<i>As at 30 September 2015</i>				
Segment Assets	<u>314,247</u>	<u>143,887</u>	<u>(109,330)</u>	<u>348,804</u>
Segment Liabilities	<u>153,562</u>	<u>74</u>	<u>(19,330)</u>	<u>134,306</u>
<i>As at 30 September 2014</i>				
Segment Assets	<u>261,105</u>	<u>143,887</u>	<u>(108,933)</u>	<u>296,059</u>
Segment Liabilities	<u>142,869</u>	<u>118</u>	<u>(18,933)</u>	<u>124,054</u>

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2015**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 23 November 2015, being the date not earlier than 7 days from the date of this announcement, that will affect the financial results of the current quarter 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 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 23 November 2015, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 23.11.15 RM'000	As at 30.06.15 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	43,424	29,417
Company		
- Corporate Guarantee given to contract customer in relation to construction contracts	8,703	4,960

A14. Capital Commitments

	As at 30.09.15 RM'000	As at 30.06.15 RM'000
Capital expenditure Authorised and contracted for	415	1,404

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter ended 30 September 2015.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2015**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 30.09.15 RM'000	Preceding year corresponding quarter 30.09.14 RM'000	Current financial period ended 30.09.15 RM'000	Preceding year corresponding period ended 30.09.14 RM'000
Revenue	101,078	106,300	101,078	106,300
Profit before taxation	19,874	13,302	19,874	13,302

The Group recorded a decrease in revenue of RM5.2 million to RM101.1 million in the first quarter ended 30 September 2015 as compared to a revenue of RM106.3 million in the preceding year corresponding quarter ended 30 September 2014. Nevertheless, the Group recorded an improvement of RM6.6 million in profit before taxation due to operational efficiency, higher utilisation of machineries and equipments and reduction in steel bars and steel material prices.

The Group's revenue of RM101.1 million for the current quarter ended 30 September 2015 mainly from the piling and foundation services business segment derived from the property development projects. The lower revenue for the current quarter is in line with the progress of certain projects in their initial stages of works.

The Group recorded a profit before tax of RM19.9 million for the current quarter ended 30 September 2015, 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 19.7%, respectively for the current quarter ended 30 September 2015 as compared to 16.8% and 12.5% for corresponding period last year.

B2. Comparison with Preceding Quarter's Results

	Current quarter ended 30.09.15 RM'000	Preceding quarter ended 30.06.15 RM'000
Revenue	101,078	103,825
Profit before taxation	19,874	17,837

The Group recorded a decrease in revenue of RM2.7 million to RM101.1 million in the first quarter ended 30 September 2015 as compared to a revenue of RM103.8 million in the preceding quarter ended 30 June 2015. The slight decrease in revenue was due mainly to lower revenue contribution from certain projects at initial stages of works. The revenue for the current quarter are mainly derived from the piling and foundation works from property development projects whereas in the last preceding quarter, RM98.7 million revenue was derived from property development projects and RM5.1 million was from infrastructure projects.

The increase in profit before tax for the current quarter ended 30 September 2015 of RM2.0 million as compared to the preceding quarter ended 30 June 2015 is in line with the improvement in overall gross profit margin of 21.6% in last preceding quarter to 25.0% in the current quarter.

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 and with the cost of raw materials expected to remain stable throughout financial year 2016.

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 - FIRST QUARTER ENDED 30 SEPTEMBER 2015**B5. Profit Before Tax**

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

	Current quarter ended 30.09.15 RM'000	Current financial period ended 30.09.15 RM'000
Depreciation of investment properties	7	7
Depreciation of properties, plant and equipments	4,806	4,806
Expenses related to defined benefit plan	78	78
Finance income	(214)	(214)
Finance expense	379	379

B6. Taxation

	Current quarter ended 30.09.15 RM'000	Current financial period ended 30.09.15 RM'000
Current tax expense		
- current year	5,379	5,379
- prior year	-	-
Deferred tax expense	-	-
	<u>5,379</u>	<u>5,379</u>

The effective tax rate for the current quarter ended 30 September 2015 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 23 November 2015, 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 30 September 2015.

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 30 September 2015.

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The Group's borrowings as at 30 September 2015 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances	14,000	-	14,000
Finance lease liabilities	6,337	4,094	10,431
Term loans	103	2,702	2,805
	<u>20,440</u>	<u>6,796</u>	<u>27,236</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

B11. Realised/Unrealised profits

	As at 30.09.15 RM'000	As at 30.06.15 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	169,280	154,724
- unrealised	(3,788)	(3,727)
Total retained earnings as per consolidated accounts	<u>165,492</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 23 November 2015, being a date not earlier than 7 days from the date of this announcement.

	As at 23.11.15 RM'000	As at 30.06.15 RM'000
Group		
Performance guarantees given to contract customers in relation to construction contracts	<u>52,127</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 23 November 2015, 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 interim dividend of 1 sen per ordinary share, amounting to RM5,350,000.10 which is to be paid on 22 December 2015.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2015**B15. Earnings Per Share**

The earnings per share for the current quarter and financial period ended 30 September 2015 is computed as follows:-

	Current quarter ended 30.06.15 RM'000	Current financial period ended 30.06.15 RM'000
Profit for the quarter/financial year, attributable to owners of the parent	14,495	14,495
Weighted average number of ordinary shares of RM0.20 each in issue	535,000	535,000
Basic Earnings Per Share (sen)	2.71	2.71

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 30 September 2015.