



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2017

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 2016.

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 2016 except for the following new/revised MFRSs and amendments to MFRSs:

		Effective for annual periods beginning on or after
MFRS 9	Financial Instruments (2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
Clarifications to MFRS 15	Revenue from Contracts with Customers (Amendments)	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2018
Amendments to MFRS 2	Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 128	Investments in Associates and Joint Ventures	1 January 2018
Amendments to MFRS 140	Investment Property - Transfers of Investment Property	1 January 2018
MFRS 16	Leases	1 January 2019
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 2016 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 year ended 30 June 2017.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2017

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 year ended 30 June 2017.

A8. Dividends Paid

The Company paid a single-tier second interim dividend of 3.0 sen per ordinary share in respect of financial year ended 30 June 2017, amounting to RM16,050,000.30 on 22 June 2017.

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, property development 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 2016.

A11. Significant Post Balance Sheet Event

There were no material events as at 17 August 2017, being the date not earlier than 7 days from the date of this announcement, that will affect the financial results of the current financial year 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 year 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 2016 to 17 August 2017, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 17.08.17 RM'000	As at 30.06.16 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers and suppliers in relation to construction contracts	168,726	29,324
Company		
- Corporate Guarantee given to banks and suppliers in relation to construction contracts	88,283	22,399

A14. Capital Commitments

	As at 30.06.17 RM'000	As at 30.06.16 RM'000
Capital expenditure Authorised and contracted for	12,249	1,706

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter and financial year ended 30 June 2017.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2017

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/%)
	30.06.17 RM'000	30.06.16 RM'000	RM'000 / %	30.06.17 RM'000	30.06.16 RM'000	RM'000 / %
Revenue	157,677	128,353	29,324 / 22.8%	581,910	462,061	119,849 / 25.9%
Gross profit	32,603	27,043	5,560 / 20.6%	130,087	110,346	19,741 / 17.9%
Profit before taxation	28,461	25,232	3,229 / 12.8%	111,620	91,542	20,078 / 21.9%
Profit after taxation	20,856	18,584	2,272 / 12.2%	80,770	67,544	13,226 / 19.6%

The Group recorded a revenue of RM581.9 million for the current twelve (12) months financial year ended 30 June 2017 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 RM532.3 million or 91.5% and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM49.6 million or 8.5%.

The Group recorded a profit before tax of RM111.6 million for the current twelve (12) months financial year ended 30 June 2017, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax margin stood at 22.4% and 19.2% respectively, for the current financial year ended 30 June 2017 as compared to 23.9% and 19.8% respectively, last financial year.

B2. Comparison with Preceding Quarter's Results

	Current quarter ended 30.06.17 RM'000	Preceding quarter ended 31.03.17 RM'000	Changes (Amount/%) RM'000 / %
Revenue	157,677	162,280	(4,603) / 2.8%
Gross profit	32,603	37,368	(4,765) / 12.8%
Profit before taxation	28,461	32,009	(3,548) / 11.1%
Profit after taxation	20,856	22,106	(1,250) / 5.7%

In the fourth quarter ended 30 June 2017, the Group recorded a decrease in revenue of RM4.6 million to RM157.7 million from RM162.3 million in the preceding quarter ended 31 March 2017. This slight drop in revenue is due mainly to the shorter working month in June in conjunction with the Hari Raya festive holiday break. The revenue from piling and foundation works from property development projects and infrastructure projects during the current quarter ended 30 June 2017, amounted to RM140.6 million and RM17.1 million respectively, as compared to RM149.9 million and RM12.4 million respectively, in the preceding quarter ended 31 March 2017.

The decrease in the profit before tax for the current quarter ended 30 June 2017 of RM3.5 million or 11.1% as compared to the preceding quarter ended 31 March 2017 was due to lower quarter billings recorded coupled with the increase in raw material costs during the current quarter.

B3. Prospects

The Directors expect the Group's 2018 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2017

B5. Profit Before Tax

Profit for the current quarter and financial year ended 30 June 2017 is stated after charging/(crediting) :-

	Current quarter ended 30.06.17 RM'000	Current financial year ended 30.06.17 RM'000
Depreciation of investment properties	6	29
Depreciation of properties, plant and equipments	7,093	24,529
Expenses related to defined benefit plan	113	451
Finance income	(173)	(700)
Finance expense	636	1,701
Gain on disposal of properties, plant and equipment	-	(1,089)

B6. Taxation

	Current quarter ended 30.06.17 RM'000	Current financial year ended 30.06.17 RM'000
Current tax expense		
- current year	6,515	29,760
Deferred tax expense	1,090	1,090
	<u>7,605</u>	<u>30,850</u>

The effective tax rate for the current quarter and financial year ended 30 June 2017 was higher than the statutory tax rate of 24 percent is primarily due to timing differences of taxable income and certain expenses not allowable for tax purposes.

B7. Status of Corporate Proposal

There were no pending corporate proposals up to 17 August 2017, 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 year ended 30 June 2017.

B9. Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investment and/or properties during the current financial year ended 30 June 2017, save for the disposal of a unit of freehold semi-detached villa in Seksyen U1, Shah Alam, Selangor on 9 August 2016 and a unit of leasehold terrace house in Section 12, Bandar Puncak Alam, Selangor on 3 August 2016, for a cash consideration of RM4,450,000.00 and RM240,000.00, respectively.

B10. Group Borrowings and Debt Securities

The Group's borrowings as at 30 June 2017 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances	25,894	-	25,894
Finance lease liabilities	7,380	10,020	17,400
Term loans	113	2,508	2,621
	<u>33,387</u>	<u>12,528</u>	<u>45,915</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2017

B11. Realised/Unrealised profits

	As at 30.06.17 RM'000	As at 30.06.16 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	260,640	202,945
- unrealised	(5,694)	(4,694)
Total retained earnings as per consolidated accounts	<u>254,946</u>	<u>198,251</u>

B12. Off Balance Sheet Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 17 August 2017, being a date not earlier than 7 days from the date of this announcement.

	As at 17.08.17 RM'000	As at 30.06.16 RM'000
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	<u>168,726</u>	<u>29,324</u>

B13. Material Litigation

In June 2015, a subsidiary of the Group, Econpile (M) Sdn Bhd ("EMSB") 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.

On 15 July 2016, the Company announced that EMSB had on 11 July 2016, received a sum of RM2,033,225.03 being the judgement sum together with interest and costs awarded to EMSB in relation to the adjudication decision on 30 October 2015.

Save for the above, the Group does not have any material litigation as at 17 August 2017, 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 3.0 sen per ordinary share, amounting to RM16,050,000.30 which was paid on 22 June 2017. The total dividend paid for the financial year ended 30 June 2017 amounted to 4.5 sen per ordinary share totalling RM24,075,000.45.

B15. Earnings Per Share

The earnings per share for the current quarter and financial year ended 30 June 2017 is computed as follows:-

	Current quarter ended 30.06.17 RM'000	Current financial year ended 30.06.17 RM'000
Profit for the quarter/year, attributable to owners of the parent	<u>20,856</u>	<u>80,770</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>3.90</u>	<u>15.10</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 year ended 30 June 2017.