



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 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 2017.

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 2017 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
IC Interpretation 23	Uncertainty over Income Tax Treatments	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 2017 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 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 ended 30 September 2017.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2017

A8. Dividends Paid

No dividends were paid by the Company in the current quarter ended 30 September 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 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 2017.

A11. Significant Post Balance Sheet Event

There were no material events as at 16 November 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 period 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 2017 to 16 November 2017, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 16.11.17 RM'000	As at 30.06.17 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	75,615	77,600
Company		
- Guarantees given to banks for facilities granted to a subsidiary	23,353	25,894
- Guarantees given to suppliers for credit terms granted to a subsidiary	16,993	21,990

A14. Capital Commitments

	As at 30.09.17 RM'000	As at 30.06.17 RM'000
Capital expenditure Authorised and contracted for	12,007	12,249

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter ended 30 September 2017.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 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			Cummulative Period		
	Current year quarter	Preceding year corresponding quarter	Changes (Amount/%)	Current financial period	Preceding year corresponding period	Changes (Amount/%)
	30.09.17 RM'000	30.09.16 RM'000	RM'000 / %	30.09.17 RM'000	30.09.16 RM'000	RM'000 / %
Revenue	168,899	114,080	54,819 / 48.1%	168,899	114,080	54,819 / 48.1%
Gross profit	34,617	27,066	7,551 / 27.9%	34,617	27,066	7,551 / 27.9%
Profit before taxation	29,129	22,047	7,082 / 32.1%	29,129	22,047	7,082 / 32.1%
Profit after taxation	21,192	16,445	4,747 / 28.9%	21,192	16,445	4,747 / 28.9%

The Group recorded a revenue of RM168.9 million for the current three (3) months financial period ended 30 September 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 RM139.8 million or 82.8% and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM29.1 million or 17.2%.

Included in Other Income during the current quarter is gain from disposal of machineries and rental of equipments amounting to RM1.5 million and RM1.4 million, respectively.

The Group recorded a profit before tax of RM29.1 million for the current three (3) months financial period ended 30 September 2017, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax margin stood at 20.5% (Q1 2017 - 23.7%) and 17.2% (Q1 2017 - 19.3%) respectively, for the current financial period ended 30 September 2017.

B2. Comparison with Preceding Quarter's Results

	Current quarter ended 30.09.17 RM'000	Preceding quarter ended 30.06.17 RM'000	Changes (Amount/%) RM'000 / %
Revenue	168,899	157,677	11,222 / 7.1%
Gross profit	34,617	32,603	2,014 / 6.2%
Profit before taxation	29,129	28,461	668 / 2.3%
Profit after taxation	21,192	20,856	336 / 1.6%

In the current first quarter ended 30 September 2017, the Group recorded an increase in revenue of RM11.2 million to RM168.9 million from RM157.7 million in the most preceding quarter ended 30 June 2017. This increase in revenue in the current quarter is in line with the increased order book and advanced progress-billing milestones for few major projects. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 30 September 2017, amounted to RM139.8 million and RM29.1 million respectively, as compared to RM140.6 million and RM17.1 million respectively, in the preceding quarter ended 30 June 2017.

There was a slight increase in the profit before tax for the current quarter ended 30 September 2017 of RM0.7 million or 2.3% as compared to the preceding quarter ended 30 June 2017 not withstanding higher raw material prices in 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.

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B5. Profit Before Tax

Profit for the current quarter ended 30 September 2017 is stated after charging/(crediting) :-

	Current quarter ended 30.09.17 RM'000
Depreciation of investment properties	6
Depreciation of properties, plant and equipments	7,108
Expenses related to defined benefit plan	107
Finance income	(159)
Finance expense	507

B6. Taxation

	Current quarter ended 30.09.17 RM'000
Current tax expense	
- current year	7,042
- prior year	895
Deferred tax expense	-
	<u><u>7,937</u></u>

The effective tax rate for the current quarter ended 30 September 2017 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

Pursuant to the Company's announcement on 30 October 2017 in respect of the below corporate proposal:-

- (I) Proposed Share Split involving the Subdivision of Every One (1) Existing Ordinary Share in Econpile ("Econpile Share" or "Share") into Two (2) Econpile Shares ("Split Shares") held on an Entitlement Date to be determined later ("Proposed Share Split");
- (II) Proposed Bonus Issue of 267,500,005 New Split Shares ("Bonus Shares") on the basis of One (1) Bonus Share for every Four (4) Split Shares held on the same Entitlement Date as the Proposed Share Split ("Proposed Bonus Issue of Shares"); and
- (III) Proposed Bonus Issue of 267,500,005 Free Warrants in Econpile ("Warrants") on the basis of One (1) Warrant for every Four (4) Split Shares held on the same Entitlement Date as the Proposed Share Split.

The above corporate proposal was approved by the shareholders in the Extraordinary General Meeting held on 22 November 2017.

B8. Investment in Quoted Securities

There were no purchases or disposals of quoted securities during the current quarter ended 30 September 2017.

B9. Sale of Unquoted Investments and/or Properties

There were no sale of unquoted investment and/or properties during the current quarter ended 30 September 2017.

B10. Group Borrowings and Debt Securities

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

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances	23,582	-	23,582
Finance lease liabilities	6,974	8,885	15,859
Term loans	114	2,479	2,593
	<u>30,670</u>	<u>11,364</u>	<u>42,034</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2017

B11. Realised/Unrealised profits

	As at 30.09.17 RM'000	As at 30.06.17 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	281,887	260,640
- unrealised	(5,750)	(5,695)
Total retained earnings as per consolidated accounts	<u>276,137</u>	<u>254,945</u>

B12. Off Balance Sheet Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 16 November 2017, being a date not earlier than 7 days from the date of this announcement.

	As at 16.11.17 RM'000	As at 30.06.17 RM'000
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	<u>133,189</u>	<u>29,324</u>

B13. Material Litigation

The Group does not have any material litigation as at 16 November 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 interim dividend of 1.5 sen per ordinary share, amounting to RM8,025,000.15 which is to be paid on 21 December 2017.

B15. Earnings Per Share

The earnings per share for the current quarter ended 30 September 2017 is computed as follows:-

	Current quarter ended 30.09.17 RM'000
Profit for the quarter, attributable to owners of the parent	<u>21,192</u>
Weighted average number of ordinary shares in issue	<u>535,000</u>
Basic Earnings Per Share (sen)	<u>3.96</u>

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the quarter ended 30 September 2017.