



## ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

### NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2018

#### 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	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 3	Business Combinations	1 January 2019
Amendments to MFRS 9	Financial Instruments - Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11	Joint Arrangements	1 January 2019
Amendments to MFRS 112	Income Taxes	1 January 2019
Amendments to MFRS 119	Employee Benefits - Plan amendment, Curtailment and Settlement	1 January 2019
Amendments to MFRS 123	Borrowing Costs	1 January 2019
Amendments to MFRS 128	Investment in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures	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 and financial period ended 31 March 2018.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2018**

**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**

Save for those disclosed in Note B7, there were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial period ended 31 March 2018.

**A8. Dividends Paid**

No dividends were paid by the Company in the current quarter ended 31 March 2018.

**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 17 May 2018, 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 17 May 2018, being a date not earlier than 7 days from the date of this announcement, save for the following:

	<b>As at</b>	<b>As at</b>
	<b>17.05.18</b>	<b>30.06.17</b>
	<b>RM'000</b>	<b>RM'000</b>
Contingent Liabilities (Unsecured)		
Group		
- Guarantees given to contract customers in relation to construction contracts	76,371	77,600
Company		
- Guarantees given to banks for facilities granted to a subsidiary	40,641	25,894
- Guarantees given to suppliers for credit terms granted to a subsidiary	14,044	21,990

**A14. Capital Commitments**

	<b>As at</b>	<b>As at</b>
	<b>31.03.18</b>	<b>30.06.17</b>
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure		
Authorised and contracted for	17,246	12,249

**A15. Significant Related Party Transactions**

There were no significant related party transactions for the current quarter and financial period ended 31 March 2018.

**ECONPILE HOLDINGS BERHAD**

(Company No. 1017164-M)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2018****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/%)
	31.03.18 RM'000	31.03.17 RM'000	RM'000 / %	31.03.18 RM'000	31.03.17 RM'000	RM'000 / %
<b>Revenue</b>	205,046	162,280	42,766 / 26.4%	536,116	424,233	111,883 / 26.4%
<b>Gross profit</b>	33,532	37,368	(3,836) / 10.3%	101,056	97,484	3,572 / 3.7%
<b>Profit before taxation</b>	28,167	32,009	(3,842) / 12.0%	87,665	83,159	4,506 / 5.4%
<b>Profit after taxation</b>	23,717	22,106	1,611 / 7.3%	67,640	59,914	7,726 / 12.9%

*Group's Financial Performance*

The Group recorded a revenue of RM536.1 million for the current nine (9) months financial period ended 31 March 2018 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 RM406.9 million or 75.9% and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM129.2 million or 24.1%.

The Group recorded a profit before tax of RM87.7 million for the current nine (9) months financial period ended 31 March 2018, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax margin stood at 18.8% (Q3 2017 - 23.0%) and 16.4% (Q3 2017 - 19.6%) respectively, for the current financial period ended 31 March 2018. The drop in the margins is as a result from higher percentage of billings revenue contribution from infrastructure projects which generally yield a lower margin.

*Other Income*

Included in Other Income during the current financial period is gain from disposal of machineries and rental income of equipments amounting to RM1.7 million and RM5.2 million, respectively.

*Project Updates and Order Book*

As at 31 March 2018, there are 16 on-going projects at various stages of completion and 7 projects were completed during the current financial period. Order book stood at RM1.2 billion as at 31 March 2018. Concentration of credit risk with respect of trade receivables is limited except for three (3) customers which accounted for 49.6% (including retention sum) of trade receivables as at 31 March 2018.

**B2. Comparison with Preceding Quarter's Results**

	Current quarter ended 31.03.18 RM'000	Preceding quarter ended 31.12.17 RM'000	Changes (Amount/%) RM'000 / %
<b>Revenue</b>	205,046	162,171	42,875 / 26.4%
<b>Gross profit</b>	33,532	32,907	625 / 1.9%
<b>Profit before taxation</b>	28,167	30,369	(2,202) / 7.3%
<b>Profit after taxation</b>	23,717	22,731	986 / 4.3%

In the current third quarter ended 31 March 2018, the Group recorded an increase in revenue of RM42.9 million to RM205.0 million from RM162.2 million in the most preceding quarter ended 31 December 2017. This increase in revenue in the current quarter is due mainly to few projects reaching their advanced milestones. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 31 March 2018, amounted to RM145.7 million and RM59.3 million respectively, as compared to RM121.4 million and RM40.8 million respectively, in the preceding quarter ended 31 December 2017.

The decrease in the profit before tax for the current quarter ended 31 March 2018 of RM2.2 million or 7.3% as compared to the preceding quarter ended 31 December 2017 was due mainly to rental income derived from rental of machinery and equipments in the last preceding quarter.

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(Company No. 1017164-M)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2018****B3. Prospects**

In line with the global steel commodity prices, steel related raw materials have been on the increasing trend over the last nine (9) months financial period. This has affected our overall profit margins in the circa of 2% to 3%. The prices of concrete, however, has remained rather flattish during the financial period. Econpile does not expect the prices of these two (2) main raw materials to deteriorate significantly for the remaining period for the financial year ending 30 June 2018.

On the back of the above, 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.

**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 2018 is stated after charging/(crediting) :-

	<b>Current quarter ended 31.03.18 RM'000</b>	<b>Current financial period 31.03.18 RM'000</b>
Depreciation of investment properties	6	17
Depreciation of properties, plant and equipments	7,732	21,680
Expenses related to defined benefit plan	108	322
Finance income	(119)	(416)
Finance expense	596	1,620

**B6. Taxation**

	<b>Current quarter ended 31.03.18 RM'000</b>	<b>Current financial period 31.03.18 RM'000</b>
Current tax expense		
- current year	7,891	22,571
- prior year	(3,441)	(2,546)
Deferred tax expense	-	-
	<u>4,450</u>	<u>20,025</u>

The effective tax rate for the current quarter and financial period ended 31 March 2018 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 and was completed on 8 January 2018.

**B8. Investment in Quoted Securities**

There were no purchases or disposals of quoted securities during the current quarter and financial period ended 31 March 2018.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2018**

**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 31 March 2018.

**B10. Group Borrowings and Debt Securities**

The Group's borrowings as at 31 March 2018 are as follows:

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
<u>Secured</u>			
Bankers acceptances	28,199	-	28,199
Finance lease liabilities	10,446	13,329	23,775
Term loans	115	2,422	2,537
	<u>38,760</u>	<u>15,751</u>	<u>54,511</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

**B11. Ageing Analysis of Trade Receivables**

	<b>As at 31.03.18 RM'000</b>	<b>As at 30.06.17 RM'000</b>
Neither past due nor impaired	280,392	168,257
1 to 60 days past due not impaired	71,213	95,259
61 to 120 days past due not impaired	6,664	11,892
More than 121 days past due not impaired	25,569	28,134
	103,446	135,285
Impaired	3,733	3,665
Total Trade Receivables	387,571	307,207
Less: Allowance for impairment	(3,733)	(3,665)
Net Trade Receivables	383,838	303,542
Amount due from contract customers	55,423	40,925
Other receivables and deposits	3,004	2,903
	<u>442,265</u>	<u>347,370</u>

**B12. Off Balance Sheet Financial Instruments**

Save for below, there were no financial instruments with off balance sheet risks as at 17 May 2018, being a date not earlier than 7 days from the date of this announcement.

	<b>As at 17.05.18 RM'000</b>	<b>As at 30.06.17 RM'000</b>
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	76,371	77,600

**B13. Material Litigation**

The Group does not have any material litigation as at 17 May 2018, being a date not earlier than 7 days from the date of this announcement.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2018**

**B14. Dividend**

The Board of Directors has approved and declared a single tier interim dividend of 1.0 sen per ordinary share, amounting to RM13,375,000.25 which is to be paid on 26 June 2018.

**B15. Earnings Per Share**

The earnings per share for the current quarter and financial period ended 31 March 2018 is computed as follows:-

	<b>Current quarter ended 31.03.18</b>	<b>Current financial period ended 31.03.18</b>
Profit attributable to the Owners of the Company for the financial period (RM'000)	<u>23,717</u>	<u>67,640</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,337,500</u>	<u>1,337,500</u>
Basic Earnings Per Share (sen)	<u>1.77</u>	<u>5.06</u>

There is no diluted earnings per share as at the end of the quarter and financial period ended 31 March 2018 as it is anti-dilutive.