



**ECONPILE HOLDINGS BERHAD**

(Company No. 1017164-M)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 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 year ended 30 June 2018.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 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 year ended 30 June 2018.

**A8. Dividends Paid**

The Company paid a single-tier interim dividend of 1.0 sen per ordinary share in respect of financial year ended 30 June 2018, amounting to RM13,375,000.25 on 26 June 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 23 August 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 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 2017 to 23 August 2018, being a date not earlier than 7 days from the date of this announcement, save for the following:

	<b>As at 23.08.18 RM'000</b>	<b>As at 30.06.17 RM'000</b>
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	76,782	77,600
Company		
- Guarantees given to banks for facilities granted to a subsidiary	59,885	25,894
- Guarantees given to suppliers for credit terms granted to a subsidiary	10,016	21,990

**A14. Capital Commitments**

	<b>As at 30.06.18 RM'000</b>	<b>As at 30.06.17 RM'000</b>
Capital expenditure Authorised and contracted for	17,092	12,249

**A15. Significant Related Party Transactions**

There were no significant related party transactions for the current quarter and financial year ended 30 June 2018.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 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	Preceding year	Changes	Current	Preceding year	Changes
	quarter	corresponding	(Amount/%)	financial period	corresponding	(Amount/%)
	30.06.18	30.06.17		30.06.18	30.06.17	
	RM'000	RM'000	RM'000 / %	RM'000	RM'000	RM'000 / %
<b>Revenue</b>	192,283	157,677	34,606 / 21.9%	728,399	581,910	146,489 / 25.2%
<b>Gross profit</b>	30,864	32,603	(1,739) / 5.3%	131,920	130,087	1,833 / 1.4%
<b>Profit before taxation</b>	26,798	28,461	(1,663) / 5.8%	114,463	111,620	2,843 / 2.5%
<b>Profit after taxation</b>	19,462	20,856	(1,394) / 6.7%	87,102	80,770	6,332 / 7.8%

*Group's Financial Performance*

The Group recorded a revenue of RM728.4 million for the current twelve (12) months financial year ended 30 June 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 RM548.5 million or 75.3% and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM179.9 million or 24.7%.

The Group recorded a profit before tax of RM114.5 million for the current twelve (12) months financial year ended 30 June 2018, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax margin stood at 18.1% (FY2017 - 22.4%) and 15.7% (FY2017 - 19.2%) respectively, for the current financial year ended 30 June 2018. The increase in revenue is in line with the order book wins and particularly billings from infrastructure projects. 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 year is gain from disposal of machineries and rental income of equipments amounting to RM2.6 (FY2017 - RM1.1) million and RM5.9 (FY2017 - RM3.9) million, respectively.

*Project Updates and Order Book*

As at 30 June 2018, there are 15 on-going projects at various stages of completion and 10 projects were completed during the current financial year. Order book stood at approximately RM1.1 billion as at 30 June 2018. Concentration of credit risk with respect of trade receivables is limited except for three (3) customers which accounted for 49.4% (including retention sum) of trade receivables as at 30 June 2018.

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

	Current	Preceding	Changes
	quarter ended	quarter ended	(Amount/%)
	30.06.18	31.03.18	
	RM'000	RM'000	RM'000 / %
<b>Revenue</b>	192,283	205,046	(12,763) / 6.2%
<b>Gross profit</b>	30,864	33,532	(2,668) / 8.0%
<b>Profit before taxation</b>	26,798	28,167	(1,369) / 4.9%
<b>Profit after taxation</b>	19,462	23,717	(4,255) / 17.9%

In the current fourth quarter ended 30 June 2018, the Group recorded a lower revenue of RM192.3 million from RM205.0 million in the most preceding quarter ended 31 March 2018. This decrease in revenue in the current quarter is due mainly to a shorter working days quarter in view of the Hari Raya holidays and additional public holidays post country's recent 14th General Election in May 2018. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 30 June 2018, amounted to RM141.6 million and RM50.7 million respectively, as compared to RM145.7 million and RM59.3 million respectively, in the preceding quarter ended 31 March 2018.

The decrease in the profit before tax for the current quarter ended 30 June 2018 of RM1.4 million or 4.9% as compared to the preceding quarter ended 31 March 2018 was in line with the lower billings as explained above..

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2018**

**B3. Prospects**

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. With the anticipated waiver of sales and services tax on certain building materials and steel, the outlook of construction sector should remain positive for FY2019.

**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 year ended 30 June 2018 is stated after charging/(crediting) :-

	<b>Current quarter ended 30.06.18 RM'000</b>	<b>Current financial year ended 30.06.18 RM'000</b>
Depreciation of investment properties	6	24
Depreciation of properties, plant and equipments	7,860	29,540
Finance income	(114)	(530)
Finance expense	813	2,433

**B6. Taxation**

	<b>Current quarter ended 30.06.18 RM'000</b>	<b>Current financial year ended 30.06.18 RM'000</b>
Current tax expense		
- current year	4,962	27,533
- prior year	-	(2,546)
Deferred tax expense	2,374	2,374
	<u>7,336</u>	<u>27,361</u>

The effective tax rate for the current quarter and financial year ended 30 June 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.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2018**

**B8. Group Borrowings and Debt Securities**

The Group's borrowings as at 30 June 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	40,432	-	40,432
Finance lease liabilities	10,560	10,743	21,303
Term loans	116	2,392	2,508
	<u>51,108</u>	<u>13,135</u>	<u>64,243</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

**B9. Ageing Analysis of Trade Receivables**

	<b>As at 30.06.18 RM'000</b>	<b>As at 30.06.17 RM'000</b>
Neither past due nor impaired	301,197	168,257
1 to 60 days past due not impaired	60,953	95,259
61 to 120 days past due not impaired	26,752	11,892
More than 121 days past due not impaired	29,485	28,134
	117,190	135,285
Impaired	2,806	3,665
Total Trade Receivables	421,193	307,207
Less: Allowance for impairment	(2,806)	(3,665)
Net Trade Receivables	418,387	303,542
Amount due from contract customers	79,433	40,925
Other receivables and deposits	2,746	2,903
	<u>500,566</u>	<u>347,370</u>

**B10. Financial Instruments**

Save for below, there were no financial instruments with off balance sheet risks as at 23 August 2018, being a date not earlier than 7 days from the date of this announcement.

	<b>As at 23.08.18 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

**B11. Material Litigation**

The Group does not have any material litigation as at 23 August 2018, being a date not earlier than 7 days from the date of this announcement.

**B12. Dividend**

The Board of Directors has approved and declared a single-tier second interim dividend of 1.0 sen per ordinary share, amounting to RM13,375,000.25 which was paid on 26 June 2018. The total dividend paid for the financial year ended 30 June 2018 amounted to RM21,400,000.40.

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(Company No. 1017164-M)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2018****B13. Earnings Per Share**

The earnings per share for the current quarter and financial year ended 30 June 2018 is computed as follows:-

	<b>Current quarter ended 30.06.18</b>	<b>Current financial year ended 30.06.18</b>
Profit attributable to the Owners of the Company for the financial period (RM'000)	19,462	87,102
Weighted average number of ordinary shares in issue ('000)	1,337,500	1,337,500
Basic Earnings Per Share (sen)	1.46	6.51

There is no diluted earnings per share as at the end of the quarter and financial year ended 30 June 2018 as it is anti-dilutive.