



## ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

### NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 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 2018.

#### 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 2018 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 2018 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 2018.

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

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter ended 30 September 2018.

**A8. Dividends Paid**

No dividends were paid by the Company in the current quarter ended 30 September 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 2018.

**A11. Significant Post Balance Sheet Event**

There were no material events as at 20 November 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 2018 to 20 November 2018, being a date not earlier than 7 days from the date of this announcement, save for the following:

	<b>As at 20.11.18 RM'000</b>	<b>As at 30.06.18 RM'000</b>
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	76,526	67,751
Company		
- Guarantees given to banks for facilities granted to a subsidiary	55,890	40,432
- Guarantees given to suppliers for credit terms granted to a subsidiary	18,251	25,167

**A14. Capital Commitments**

	<b>As at 30.09.18 RM'000</b>	<b>As at 30.06.18 RM'000</b>
Capital expenditure Authorised and contracted for	15,343	17,092

**A15. Significant Related Party Transactions**

There were no significant related party transactions for the current quarter ended 30 September 2018.

**ECONPILE HOLDINGS BERHAD**

(Company No. 1017164-M)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 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		financial period	corresponding	
30.09.18	30.09.17	(Amount/%)	30.09.18	30.09.17	(Amount/%)	
	RM'000	RM'000	RM'000 / %	RM'000	RM'000	RM'000 / %
<b>Revenue</b>	200,296	168,899	31,397 / 18.6%	200,296	168,899	31,397 / 18.6%
<b>Gross profit</b>	25,667	34,617	(8,950) / 25.9%	25,667	34,617	(8,950) / 25.9%
<b>Profit before taxation</b>	20,445	29,129	(8,684) / 29.8%	20,445	29,129	(8,684) / 29.8%
<b>Profit after taxation</b>	15,043	21,192	(6,149) / 29.0%	15,043	21,192	(6,149) / 29.0%

*Group's Financial Performance*

The Group recorded a revenue of RM200.3 million for the current three (3) months financial period ended 30 September 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 RM152.1 million or 75.9% (Q1FY18 - RM139.8 million or 82.8%) and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM48.2 million or 24.1% (Q1FY18 - RM29.1 million or 17.2%).

The Group recorded a profit before tax of RM20.4 million for the current three (3) months financial period ended 30 September 2018, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax margin stood at 12.8% (Q1FY18 - 20.5%) and 10.2% (Q1FY18 - 17.2%) respectively, for the current financial period ended 30 September 2018. The increase in revenue is in line with the order book secured and particularly billings from infrastructure projects. The drop in profit margins is a result of higher percentage of billings from infrastructure projects which yield a lower margin.

*Other Income*

Included in Other Income during the current financial period is rental income of equipments and gain from disposal of machineries amounting to RM0.5 million as compared to RM2.9 million in the preceding year corresponding quarter.

*Project Updates and Order Book*

As at 30 September 2018, there are 19 on-going projects at various stages of completion. Order book stood at approximately RM1.1 billion as at 30 September 2018. Concentration of credit risk with respect of trade receivables is limited except for three (3) customers which accounted for 50.8% (including retention sum) of trade receivables as at 30 September 2018.

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

	Current	Preceding	Changes
	quarter ended	quarter ended	
	30.09.18	30.06.18	RM'000 / %
	RM'000	RM'000	
<b>Revenue</b>	200,296	192,283	8,013 / 4.2%
<b>Gross profit</b>	25,667	30,864	(5,197) / 16.8%
<b>Profit before taxation</b>	20,445	26,798	(6,353) / 23.7%
<b>Profit after taxation</b>	15,043	19,462	(4,419) / 22.7%

In the current first quarter ended 30 September 2018, the Group recorded a slightly higher revenue of RM8.0 million to RM200.3 million from RM192.3 million in the most recent preceding quarter ended 30 June 2018. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 30 September 2018, amounted to RM152.1 million and RM48.2 million respectively, as compared to RM141.6 million and RM50.7 million respectively, in the preceding quarter ended 30 June 2018.

The decrease in the profit before tax for the current quarter ended 30 September 2018 of RM6.4 million or 23.7% as compared to the preceding quarter ended 30 June 2018 was due mainly to lower margins from higher labour-intensive work activities for few of the on-going projects.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 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. On the back of a relatively stable prices of building materials including steel and concrete, Econpile anticipates the construction sector's outlook to 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 ended 30 September 2018 is stated after charging/(crediting) :-

	<b>Current quarter and financial period ended</b>
	<b>30.09.18 RM'000</b>
Depreciation of investment properties	10
Depreciation of properties, plant and equipments	7,814
Finance income	(125)
Finance expense	1,057

**B6. Taxation**

	<b>Current quarter and financial period ended</b>
	<b>30.09.18 RM'000</b>
Current tax expense	
- current year	5,402
- prior year	-
Deferred tax expense	-
	<u>5,402</u>

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

There were no pending corporate proposals up to 20 November 2018, being the date not earlier than 7 days from the date of this announcement.

**B8. Group Borrowings and Debt Securities**

The Group's borrowings as at 30 September 2018 are as follows:

	<b>Short Term RM'000</b>	<b>Long Term RM'000</b>	<b>Total RM'000</b>
<b><u>Secured</u></b>			
Bankers acceptances	66,415	-	66,415
Finance lease liabilities	10,786	8,340	19,126
Term loans	366	4,014	4,380
	<u>77,567</u>	<u>12,354</u>	<u>89,921</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2018**

**B9. Ageing Analysis of Trade Receivables**

	<b>As at 30.09.18 RM'000</b>	<b>As at 30.06.18 RM'000</b>
Neither past due nor impaired	279,662	299,923
1 to 60 days past due not impaired	121,263	36,607
61 to 120 days past due not impaired	6,448	39,148
More than 121 days past due not impaired	36,319	42,709
	164,030	118,464
Impaired	2,546	2,806
Total Trade Receivables	446,238	421,193
Less: Allowance for impairment	(2,546)	(2,806)
Net Trade Receivables	443,692	418,387
Amount due from contract customers	105,980	79,433
Other receivables and deposits	6,114	2,746
	<u>555,786</u>	<u>500,566</u>

**B10. Financial Instruments**

Save for below, there were no financial instruments with off balance sheet risks as at 20 November 2018, being a date not earlier than 7 days from the date of this announcement.

	<b>As at 20.11.18 RM'000</b>	<b>As at 30.06.18 RM'000</b>
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	76,526	67,751

**B11. Material Litigation**

The Group does not have any material litigation as at 20 November 2018, being a date not earlier than 7 days from the date of this announcement.

**B12. Dividend**

No dividend was declared for the current quarter and financial period ended 30 September 2018.

**B13. Earnings Per Share**

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

	<b>Current quarter ended 30.09.18</b>	<b>Current financial period ended 30.09.18</b>
Profit attributable to the Owners of the Company for the financial period (RM'000)	15,043	15,043
Weighted average number of ordinary shares in issue ('000)	1,337,500	1,337,500
Basic Earnings Per Share (sen)	1.12	1.12

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