



## ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

### NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2019

#### 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 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 3	Business Combinations - Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
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 and financial year ended 30 June 2019.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2019**

**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 that have a material effect on results during the current quarter and financial year ended 30 June 2019.

**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 2019.

**A8. Dividends Paid**

No dividends were paid by the Company in the current quarter and financial year ended 30 June 2019.

**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 23 August 2019, 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 ended 30 June 2019.

**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 23 August 2019, being a date not earlier than 7 days from the date of this announcement, save for the following:

	<b>As at 23.08.19 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	79,900	67,751
Company		
- Guarantees given to banks for facilities granted to a subsidiary	69,787	40,432
- Guarantees given to suppliers for credit terms granted to a subsidiary	24,468	25,167

**A14. Capital Commitments**

	<b>As at 30.06.19 RM'000</b>	<b>As at 30.06.18 RM'000</b>
Capital expenditure Authorised and contracted for	12,647	17,092

**A15. Significant Related Party Transactions**

There were no significant related party transactions for the current quarter and financial year ended 30 June 2019.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2019**

**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	
	30.06.19	quarter	(Amount/%)	30.06.19	period	(Amount/%)
RM'000	30.06.18	RM'000 / %	RM'000	30.06.18	RM'000 / %	
<b>Revenue</b>	176,601	192,283	(15,682) / 8.2%	663,339	728,399	(65,060) / 8.9%
<b>Gross profit</b>	32,217	30,864	1,353 / 4.4%	64,003	131,920	(67,917) / 51.5%
<b>Profit before taxation</b>	29,461	26,798	2,663 / 9.9%	32,770	114,463	(81,693) / 71.4%
<b>Profit after taxation</b>	23,165	19,462	3,703 / 19.0%	25,506	87,101	(61,595) / 70.7%

*Group's Financial Performance*

The Group recorded a revenue of RM663.3 million for the current twelve (12) months financial year ended 30 June 2019 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 RM495.0 million or 74.6% (4QFY18 - RM548.5 million or 75.3%) and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM168.3 million or 25.4% (4QFY18 - RM179.9 million or 24.7%).

The Group recorded a profit before tax of RM32.8 million for the current twelve (12) months financial year ended 30 June 2019, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax margin stood at 9.6% (4QFY18 - 18.1%) and 4.9% (4QFY18 - 15.7%) respectively, for the current financial year ended 30 June 2019. The Group's current financial year results were affected by the project delays and idling cost over-runs incurred in certain infrastructure projects, coupled with the impairment of a trade receivable in Quarter 2 ended 31 December 2018, as previously reported.

The Group recorded a decline in current quarter and annual revenue from both the piling segments from property development projects and infrastructure projects as a results of a weaker local construction market and deferment in certain infrastructure projects.

*Other Income*

Included in Other Income during the current financial year is rental income of equipments and gain from disposal of machineries amounting to RM4.8 million as compared to RM8.5 million in the preceding financial year.

*Project Updates and Order Book*

As at 30 June 2019, there are 27 on-going projects at various stages of completion. Order book stood at approximately RM950 million as at 30 June 2019. Concentration of credit risk with respect of trade receivables is limited except for three (3) customers which accounted for 53.4% (including retention sum) of trade receivables as at 30 June 2019.

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

	Current	Preceding	Changes
	quarter ended	quarter ended	(Amount/%)
	30.06.19	31.03.19	RM'000 / %
RM'000	RM'000		
<b>Revenue</b>	176,601	138,260	38,341 / 27.7%
<b>Gross profit</b>	32,217	26,824	5,393 / 20.1%
<b>Profit before taxation</b>	29,461	22,388	7,073 / 31.6%
<b>Profit after taxation</b>	23,165	21,745	1,420 / 6.5%

In the current fourth quarter ended 30 June 2019, the Group recorded a higher revenue of RM38.3 million to RM176.6 million from RM138.3 million in the most recent preceeding quarter ended 31 March 2019. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 30 June 2019, amounted to RM124.3 million and RM52.3 million respectively, as compared to RM112.8 million and RM25.4 million respectively, in the preceeding quarter ended 31 March 2019. The increase in revenue for the current quarter is mainly contribution from infrastructure projects.

The improvements in gross profit and profit before tax for the current quarter as compared to the most recent preceeding quarter is in line with the higher billings whilst profit margins remained relatively stable.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2019**

**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. Econpile anticipates the construction sector's outlook to remain positive for FY2020.

**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 2019 is stated after charging/(crediting) :-

	<b>Current quarter ended 30.06.19 RM'000</b>	<b>Current financial period 30.06.19 RM'000</b>
Depreciation of investment properties	10	40
Depreciation of properties, plant and equipments	7,505	30,457
Finance income	(159)	(676)
Finance expense	807	3,494

**B6. Taxation**

	<b>Current quarter ended 30.06.19 RM'000</b>	<b>Current financial period 30.06.19 RM'000</b>
Current tax expense		
- current year	5,192	9,910
- prior year	-	-
Deferred tax expense	1,104	(2,646)
	<u>6,296</u>	<u>7,264</u>

The effective tax rate for the current quarter is lower than statutory tax rate mainly due to overprovision of tax in previous quarters whereas the effective tax rate for the financial year ended 30 June 2019 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 23 August 2019, 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 June 2019 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 and revolving credits	58,362	-	58,362
Finance lease liabilities	8,777	2,287	11,064
Term loans	395	3,717	4,112
	<u>67,534</u>	<u>6,004</u>	<u>73,538</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2019**

**B9. Ageing Analysis of Trade Receivables**

	<b>As at 30.06.19 RM'000</b>	<b>As at 30.06.18 RM'000</b>
Neither past due nor impaired	194,239	299,923
1 to 60 days past due not impaired	84,793	36,607
61 to 120 days past due not impaired	49,276	39,148
More than 121 days past due not impaired	79,793	42,709
	213,862	118,464
Impaired	16,337	2,806
Total Trade Receivables	424,438	421,193
Less: Allowance for impairment	(16,337)	(2,806)
Net Trade Receivables	408,101	418,387
Amount due from contract customers	126,855	79,433
Other receivables and deposits	4,122	2,746
	<u>539,078</u>	<u>500,566</u>

**B10. Financial Instruments**

Save for below, there were no financial instruments with off balance sheet risks as at 23 August 2019, being a date not earlier than 7 days from the date of this announcement.

	<b>As at 23.08.19 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	79,900	67,751

**B11. Material Litigation**

The Group does not have any material litigation as at 23 August 2019, being a date not earlier than 7 days from the date of this announcement.

**B12. Dividend**

The Board of Directors has proposed a first and final dividend of 0.5 sen per ordinary share for the financial year ended 30 June 2019, amounting to RM6,687,500.13, to be approved by the shareholders at the next coming Annual General Meeting.

**B13. Earnings Per Share**

The earnings per share for the current quarter and financial year ended 30 June 2019 is computed as follows:-

	<b>Current quarter ended 30.06.19</b>	<b>Current financial year ended 30.06.19</b>
Profit attributable to the Owners of the Company for the financial year (RM'000)	23,165	25,506
Weighted average number of ordinary shares in issue ('000)	1,337,500	1,337,500
Basic Earnings Per Share (sen)	1.73	1.91

There is no diluted earnings per share as at the end of the quarter and financial year ended 30 June 2019 as it is anti-dilutive.