



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2020

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 2019.

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 2019 except for the following new/revised MFRSs and amendments to MFRSs:

		Effective for annual periods beginning on or after
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 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
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 2019 were not subject to any qualification and did not include any adverse comments made under Section 266 of the Companies Act, 2016.

A4. Seasonality or Cyclicalities 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 2020, save for those disclosed in Notes B1 and B2.

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 2020.

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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 2020.

A8. Dividends Paid

Save for the final dividend paid for the financial year ended 30 June 2019 on 20 December 2019 amounting to RM6,687,500.13, no dividend was paid by the Company in the current quarter and financial year ended 30 June 2020.

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 2019.

A11. Significant Post Balance Sheet Event

There were no material events as at 20 August 2020, 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 2020.

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 2019 to 20 August 2020, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 20.08.20 RM'000	As at 30.06.19 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	75,824	80,598
Company		
- Guarantees given to banks for facilities granted to a subsidiary	84,452	58,362
- Guarantees given to suppliers for credit terms granted to a subsidiary	6,815	27,464

A14. Capital Commitments

	As at 30.06.19 RM'000	As at 30.06.19 RM'000
Capital expenditure Authorised and contracted for	10,737	12,647

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter and financial year ended 30 June 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER AND FINANCIAL YEAR ENDED 30 JUNE 2020

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	
	30.06.20	quarter	(Amount/%)	30.06.20	period	(Amount/%)
RM'000	30.06.19	RM'000 / %	RM'000	30.06.19	RM'000 / %	
Revenue	30,663	176,601	(145,938) / 82.6%	403,019	663,340	(260,321) / 39.2%
Gross profit/(loss)	(15,540)	32,217	(47,757) / >100%	28,430	64,003	(35,573) / 55.6%
Profit/(Loss) before taxation	(26,033)	29,461	(55,494) / >100%	2,971	32,769	(29,798) / 90.9%
Profit/(Loss) after taxation	(16,489)	23,165	(39,654) / >100%	2,332	25,505	(23,173) / 90.9%

Group's Financial Performance

The Group recorded a revenue of RM403.0 million for the current twelve (12) months financial year ended 30 June 2020 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 RM283.0 million or 70.2% (FY19 - RM495.0 million or 74.6%) and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM120.0 million or 29.8% (FY19 - RM168.3 million or 25.4%).

The Group recorded a profit before tax of RM2.97 million for the current twelve (12) months financial year ended 30 June 2020, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax margin stood at 7.1% (FY19 - 9.6%) and 0.7% (FY19 - 4.9%) respectively, for the current financial year ended 30 June 2020. The Group's current financial year results was adversely affected by the enforcement of the Movement Control Order ("MCO") and Conditional Movement Control Order ("CMCO") between 18 March 2020 until 9 June 2020, affecting all of our construction sites' activities and progress, with the compulsory implementation of additional standard operating procedures in light of the Covid-19 pandemic.

The Group only recorded a revenue of RM30.7 million for the current quarter 4 ended 30 June 2020 resulting in a gross loss and loss before taxation of RM15.5 million and RM26.0 million, respectively.

Other Income

Included in Other Income during the current financial year is rental income of equipments and recovery of doubtful debts amounting to RM0.5 million as compared to RM4.8 million in the preceding financial year.

Project Updates and Order Book

As at 30 June 2020, there are 23 on-going projects at various stages of completion. Order book stood at approximately RM670 million as at 30 June 2020. Concentration of credit risk with respect of trade receivables is limited except for three (3) customers which accounted for 41.4% (including retention sum) of trade receivables as at 30 June 2020.

B2. Comparison with Preceding Quarter's Results

	Current	Preceding	Changes
	quarter ended	quarter ended	(Amount/%)
	30.06.20	31.03.20	RM'000 / %
	RM'000	RM'000	
Revenue	30,663	99,304	(68,641) / 69.1%
Gross profit/(loss)	(15,540)	10,502	(26,042) / >100%
Profit/(Loss) before taxation	(26,033)	4,902	(30,935) / >100%
Profit/(Loss) after taxation	(16,489)	1,319	(17,808) / >100%

In the current fourth quarter ended 30 June 2020, the Group recorded a lower revenue of RM30.7 million as compared to RM99.3 million in the most recent preceding quarter ended 31 March 2020. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 30 June 2020, amounted to RM16.1 million and RM14.6 million respectively, as compared to RM75.8 million and RM23.5 million respectively, in the preceding quarter ended 31 March 2020. The drastic drop in revenue for the current quarter is mainly due to shorter working quarter under the MCO and CMCO period.

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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 for financial year ending 30 June 2021.

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 2020 is stated after charging/(crediting) :-

	Current quarter ended 30.06.20 RM'000	Current financial year 30.06.20 RM'000
Depreciation of investment properties	19	70
Depreciation of properties, plant and equipments	5,967	26,306
Finance income	(111)	(577)
Finance expense	358	2,564

B6. Taxation

	Current quarter ended 30.06.20 RM'000	Current financial year 30.06.20 RM'000
Current tax expense		
- current year	(4,244)	3,455
- prior year	-	2,484
Deferred tax expense	(5,300)	(5,300)
	<u>(9,544)</u>	<u>639</u>

The effective tax rate for the current quarter and financial year ended 30 June 2020 was higher than the statutory tax rate of 24 percent is primarily due to certain expenses and general provision/impairment that are not allowable for tax purposes.

B7. Status of Corporate Proposal

There were no pending corporate proposals up to 20 August 2020, 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:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances, finance lease liabilities and revolving credits	78,458	66.00	78,524
Term loans	409	3,305	3,714
	<u>78,867</u>	<u>3,371</u>	<u>82,238</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

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B9. Ageing Analysis of Trade Receivables

	As at 30.06.20 RM'000	As at 30.06.19 RM'000
Neither past due nor impaired	162,046	194,239
1 to 60 days past due not impaired	11,527	84,793
61 to 120 days past due not impaired	39,209	49,276
More than 121 days past due not impaired	108,220	79,793
	158,956	213,862
Impaired	22,430	16,337
Total Trade Receivables	343,432	424,438
Less: Allowance for impairment	(22,430)	(16,337)
Net Trade Receivables	321,002	408,101
Other receivables and deposits	3,356	4,560
	<u>324,358</u>	<u>412,661</u>

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 20 August 2020, being a date not earlier than 7 days from the date of this announcement.

	As at 20.08.20 RM'000	As at 30.06.19 RM'000
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	75,824	80,598

B11. Material Litigation

The Group does not have any material litigation as at 20 August 2020, being a date not earlier than 7 days from the date of this announcement.

B12. Dividend

The Board of Directors does not propose any dividend for the financial year ended 30 June 2020

B13. Earnings Per Share

The earnings per share for the current quarter and financial year ended 30 June 2020 is computed as follows:-

	Current quarter ended 30.06.20	Current financial year ended 30.06.20
Profit attributable to the Owners of the Company for the financial year (RM'000)	(16,489)	2,332
Weighted average number of ordinary shares in issue ('000)	1,337,500	1,337,500
Basic Earnings Per Share (sen)	(1.23)	0.17

There is no diluted earnings per share as at the end of the quarter and financial year ended 30 June 2020 as it is anti-dilutive.