



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 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 2020 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 16	Covid-19 Related Rent Concessions	1 June 2020
Amendments to MFRS 1	First -time adoption of MFRS (Annual Improvements to MFRS Standards 2018-2020)	1 January 2022
Amendments to MFRS 3	Business Combinations - Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9	Financial Instruments - Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to Illustrative Examples accompanying MFRS 16	Leases - Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 116	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Costs of Fulfilling a Contract	1 January 2022
Amendments to MFRS 101	Presentation of Financial Statements - Classification of Liabilities as Current or Non-current	1 January 2023
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

The initial application of the applicable accounting standards, amendments and interpretations are not expected to have any material financial impact to the current period and prior period financial statements of the Group and the Company.

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 2020 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 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2020

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 2020.

A8. Dividends Paid

No dividends were paid by the Company in the current quarter ended 30 September 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 2020.

A11. Significant Post Balance Sheet Event

There were no material events as at 20 November 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 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 2020 to 20 November 2020, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 20.11.20 RM'000	As at 30.06.20 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	67,388	70,674
Company		
- Guarantees given to banks for facilities granted to a subsidiary	72,230	76,185
- Guarantees given to suppliers for credit terms granted to a subsidiary	14,604	13,678

A14. Capital Commitments

	As at 30.09.20 RM'000	As at 30.06.20 RM'000
Capital expenditure Authorised and contracted for	10,737	10,737

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter ended 30 September 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 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 quarter	Preceding year corresponding quarter	Changes (Amount/%)	Current financial period	Preceding year corresponding period	Changes (Amount/%)
	30.09.20 RM'000	30.09.19 RM'000	RM'000 / %	30.09.20 RM'000	30.09.19 RM'000	RM'000 / %
Revenue	101,955	135,356	(33,401) / 24.7%	101,955	135,356	(33,401) / 24.7%
Gross profit	10,434	16,965	(6,531) / 38.5%	10,434	16,965	(6,531) / 38.5%
Profit before taxation	7,636	11,981	(4,345) / 36.3%	7,636	11,981	(4,345) / 36.3%
Profit after taxation	5,588	8,847	(3,259) / 36.8%	5,588	8,847	(3,259) / 36.8%

Group's Financial Performance

The Group recorded a revenue of RM101.9 million for the current three (3) months financial period ended 30 September 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 RM78.1 million or 76.6% (Q1FY20 - RM95.2 million or 70.0%) and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM23.8 million or 23.4% (Q1FY20 - RM40.2 million or 30.0%).

The Group recorded a profit before tax of RM7.6 million for the current three (3) months financial period ended 30 September 2020, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax margin stood at 10.2% (Q1FY20 - 12.5%) and 7.5% (Q1FY20 - 8.9%) respectively, for the current financial period ended 30 September 2020. During the current quarter, all project site activities are conducted under strict standard operating procedures which aimed to curb the spread of Covid-19 amongst workers under the Conditional Movement Control Order and this has resulted in lower billings, additional compliance costs and profit margin compression.

Other Income

Included in Other Income during the current financial period is doubtful debts recovered and refund of Goods and Service Tax (GST) amounting to RM1.1 million as compared to Other Income of RM0.8 million in the preceding year corresponding quarter.

Project Updates and Order Book

As at 30 September 2020, there are 25 on-going projects at various stages of completion. Order book stood at approximately RM680 million as at 30 September 2020. Concentration of credit risk with respect of trade receivables is limited except for three (3) customers which accounted for 44.4% (including retention sum) of trade receivables as at 30 September 2020.

B2. Comparison with Preceding Quarter's Results

	Current quarter ended 30.09.20 RM'000	Preceding quarter ended 30.06.20 RM'000	Changes (Amount/%) RM'000 / %
Revenue	101,955	30,663	71,292 / >100%
Gross profit	10,434	(15,540)	25,974 / >100%
Profit/(Loss) before taxation	7,636	(26,033)	33,669 / >100%
Profit/(Loss) after taxation	5,588	(16,489)	22,077 / >100%

In the current first quarter ended 30 September 2020, the Group recorded a higher revenue of RM71.3 million to RM101.9 million from RM30.7 million in the most recent preceding quarter ended 30 June 2020. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 30 September 2020, amounted to RM78.1 million and RM23.8 million respectively, as compared to RM16.1 million and RM14.6 million respectively, in the preceding quarter ended 30 June 2020. The improvement in revenue is due mainly to the staggered re-commencement of site activities in line with the relaxation of the Movement Control Order on 4 May 2020 onwards with the objective of reopening the national economy in a controlled manner under the Conditional Movement Control Order.

As a result, the Group recorded a profit before tax of RM7.6 million for the current quarter ended 30 September 2020 as compared to a loss before tax of RM26.0 million in the most recent preceding quarter.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2020

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 FY2021.

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/financial period ended 30 September 2020 is stated after charging/(crediting) :-

	Current quarter and financial period ended 30.09.20 RM'000
Depreciation of investment properties	19
Depreciation of properties, plant and equipments	5,709
Depreciation of right-of-use assets	25
Finance income	(55)
Finance expense	561

B6. Taxation

	Current quarter and financial period ended 30.09.20 RM'000
Current tax expense	
- current period/year	2,048
- prior year	-
Deferred tax expense	-
	<u>2,048</u>

The effective tax rate for the current quarter ended 30 September 2020 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 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 September 2020 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
Secured			
Bankers acceptances	79,764	-	79,764
Bank loan	413	3,199	3,612
Hire purchase liabilities	1,157	4	1,161
Unsecured			
Revolving credit	8,000	-	8,000
	<u>89,334</u>	<u>3,203</u>	<u>92,537</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FIRST QUARTER ENDED 30 SEPTEMBER 2020

B9. Ageing Analysis of Trade Receivables

	As at 30.09.20 RM'000	As at 30.06.20 RM'000
Neither past due nor impaired	173,330	146,879
1 to 60 days past due not impaired	47,323	20,261
61 to 120 days past due not impaired	16,522	39,209
More than 121 days past due not impaired	108,088	114,653
	171,933	174,123
Impaired	21,478	22,430
Total Trade Receivables	366,741	343,432
Less: Allowance for impairment	(21,478)	(22,430)
Net Trade Receivables	345,263	321,002
Other receivables and deposits	3,097	3,356
	<u>348,360</u>	<u>324,358</u>

B10. Financial Instruments

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

	As at 20.11.20 RM'000	As at 30.06.20 RM'000
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	67,388	70,674

B11. Material Litigation

The Group does not have any material litigation as at 20 November 2020, 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 2020.

B13. Earnings Per Share

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

	Current quarter ended 30.09.20	Current financial period ended 30.09.20
Profit attributable to the Owners of the Company for the financial period (RM'000)	5,588	5,588
Weighted average number of ordinary shares in issue ('000)	1,337,500	1,337,500
Basic Earnings Per Share (sen)	0.42	0.42

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