



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 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 2020.

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

Proceeds of RM41.2 million arising from private placement of 80,000,000 shares issued at RM0.515 per share was received towards the end of December 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 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

Private placement of 80,000,000 shares were exercised in month of December 2020 at RM0.515 per share. These new issues accounted for slightly below 6% of the total issued and paid up shares. The approved mandate was for up to 10% of total issued and paid up shares.

A8. Dividends Paid

No dividend was declared and paid in the period ended 31 December 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 in this financial quarter.

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 17 February 2021, 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

The Group has acquired 100% of the shares in Global Piling Solutions Co., Ltd., a company incorporated in Cambodia via Econpile (M) Sdn Bhd.

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 17 February 2021, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 17.02.2021 RM'000	As at 30.06.20 RM'000
Contingent Liabilities (Unsecured)		
Group		
- Guarantees given to contract customers in relation to construction contracts	35,597	70,674
Company		
- Guarantees given to banks for facilities granted to a subsidiary	78,974	76,185
- Guarantees given to suppliers for credit terms granted to a subsidiary	13,282	13,678

A14. Capital Commitments

	As at 31.12.2020 RM'000	As at 30.06.20 RM'000
Capital expenditure		
Authorised and contracted for	10,619	10,737

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter and financial period ended 31 December 2020.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 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			Cumulative Period		
	Current year quarter	Preceding year corresponding quarter	Changes (Amount/%)	Current financial period	Preceding year corresponding period	Changes (Amount/%)
	31.12.20 RM'000	31.12.19 RM'000	RM'000 / %	31.12.20 RM'000	31.12.19 RM'000	RM'000 / %
Revenue	94,937	137,696	(42,759)/(31.1%)	196,892	273,052	(76,160)/(27.9%)
Gross profit	9,359	16,503	(7,144)/(43.3%)	19,793	33,468	(13,675)/(40.9%)
Profit before taxation	2,384	12,121	(9,737)/(80.3%)	10,020	24,102	(14,082)/(58.4%)
Profit after taxation	1,834	8,655	(6,821)/(78.8%)	7,422	17,502	(10,080)/(57.6%)

Group's Financial Performance

The Group recorded a revenue of RM196.9 million for the current six (6) months financial period ended 31 December 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 RM152.8 million or 77.6% (1HFY20 - RM191.2 million or 70.0%) and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM44.1 million or 22.4% (1HFY20 - RM81.9 million or 30.0%).

The Group recorded a profit before tax of RM19.8 million for the current six (6) months financial period ended 31 December 2020, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax ("PBT") margin stood at 10.1% (1HFY20 - 12.3%) and 5.1% (1HFY20 - 8.8%) respectively, for the current financial period ended 31 December 2020. The lower revenue in the current six (6) months period is due mainly to lower billings as certain major property development projects are at advanced completion milestones and also slower-than-expected site activities due to gradual resumption for on-going infrastructure project. The current financial period's gross profit and PBT margins remained within management's expectations in light of the current competitive construction environment and stable raw material prices.

Other Income

Included in Other Income for the current financial period is rental income of equipments and net recovery of bad debts amounting to RM0.9 million as compared to RM1.7 million in the preceding year.

Project Updates and Order Book

As at 31 December 2020, there are 23 on-going projects at various stages of completion. Order book stood at approximately RM0.9 billion as at 31 December 2020. Concentration of credit risk with respect of trade receivables is limited except for three (3) customers which accounted for 42.8% (including retention sum) of trade receivables as at 31 December 2020.

B2. Comparison with Preceding Quarter's Results

	Current quarter ended 31.12.20 RM'000	Preceding quarter ended 30.09.20 RM'000	Changes (Amount/%) RM'000 / %	
	Revenue	94,937	101,955	(7,018)/(6.9%)
	Gross profit	9,359	10,434	(1,075)/(10.3%)
Profit before taxation	2,384	7,636	(5,252)/(68.8%)	
Profit after taxation	1,834	5,588	(3,754)/(67.2%)	

In the current second quarter ended 31 December 2020, the Group recorded a lower revenue of RM74.9 million from RM102.0 million in the preceding quarter ended 30 September 2020. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 31 December 2020, amounted to RM74.7 million and RM20.2 million respectively, as compared to RM78.1 million and RM23.8 million respectively, in the preceding quarter ended 30 September 2020. The revenue for current quarter was affected by site work stoppages due to Covid-19.

The lower profit before tax for the current quarter ended 31 December 2020 as compared to the preceding quarter ended 30 September 2020 was due to some one-off administrative expenses in the current quarter. These one-off expenses are not expected to recur in the 2HFY2021.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 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. With the demobilisation of machinery and personnel in progress, Econpile is optimistic of its long-term growth prospects in Cambodia.

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 period ended 31 December 2020 is stated after charging/(crediting) :-

	Current quarter ended 31.12.20 RM'000	Current financial period 31.12.20 RM'000
Depreciation of investment properties	19	38
Depreciation of properties, plant and equipments	5,721	11,430
Depreciation of right-of-use assets	25	51
Finance income	(61)	(116)
Finance expense	1,242	1,803

B6. Taxation

	Current quarter ended 31.12.20 RM'000	Current financial period 31.12.20 RM'000
Current tax expense		
- current period/year	550	2,598
- prior year		
Deferred tax expense		
	<u>550</u>	<u>2,598</u>

The effective tax rate for the current quarter and financial period ended 31 December 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 17 February 2021, 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 31 December 2020 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances	61,867	-	61,867
Revolving credit	18,000	-	18,000
Hire purchase liabilities	287	-	287
Lease liabilities	83	46	129
Term loans	414	3,096	3,510
	<u>80,651</u>	<u>3,142</u>	<u>83,793</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - SECOND QUARTER ENDED 31 DECEMBER 2020

B9. Ageing Analysis of Trade Receivables

	As at 31.12.20 RM'000	As at 30.06.20 RM'000
Neither past due nor impaired	166,007	146,879
1 to 60 days past due not impaired	52,516	20,261
61 to 120 days past due not impaired	41,041	39,209
More than 121 days past due not impaired	84,801	114,653
	178,358	174,123
Impaired	21,478	22,430
Total Trade Receivables	365,843	343,432
Less: Allowance for impairment	(21,478)	(22,430)
Net Trade Receivables	344,365	321,002
Other receivables and deposits	3,509	3,356
	<u>347,874</u>	<u>324,358</u>

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 17 February 2021, being a date not earlier than 7 days from the date of this announcement.

	As at 17.02.2021 RM'000	As at 30.06.20 RM'000
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	48,879	70,674

B11. Material Litigation

The Group does not have any material litigation as at 17 February 2021, being a date not earlier than 7 days from the date of this announcement.

B12. Dividend

No dividend was declared for the financial year ending 30 June 2021 in the current quarter and financial period ended 31 December 2020.

B13. Earnings Per Share

The earnings per share for the current quarter and financial period ended 31 December 2020 is computed as follows:-

	Current quarter ended 31.12.20	Current financial period ended 31.12.20
Profit attributable to the Owners of the Company for the financial period (RM'000)	1,834	7,422
Weighted average number of ordinary shares in issue ('000)	1,343,587	1,340,543
Basic Earnings Per Share (sen)	0.14	0.55