



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2021

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

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, save for the proceeds received from private placement of 80,000,000 shares that was exercised in December 2020 at RM0.515 per share and those disclosed in notes B1 and B2, for financial year ended 30 June 2021.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2021

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 year 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, save for the private placement of 80,000,000 shares were exercised in the month of December 2020 at RM0.515 per share for financial year ended 30 June 2021.

A8. Dividends Paid

No dividend was declared and paid in the year ended 30 June 2021.

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. The Group has expanded its business to Cambodia in the second half ended 30 June 2021.

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 September 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 year under review.

A12. Changes in Composition of the Group

There were no material 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 year, save for the acquisition of the wholly-owned subsidiary in Cambodia in December 2020, and financial year ended 30 June 2021.

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

| | As at 20.09.2021 RM'000 | As at 30.06.2020 RM'000 |
|--|-------------------------------|-------------------------------|
| Contingent Liabilities (Unsecured) Group | | |
| - Guarantees given to contract customers in relation to construction contracts | 81,482 | 70,674 |
| Company | | |
| - Guarantees given to banks for facilities granted to a subsidiary | 94,569 | 76,185 |
| - Guarantees given to suppliers for credit terms granted to a subsidiary | 8,012 | 13,678 |

A14. Capital Commitments

| | As at 30.06.2021 RM'000 | As at 30.06.2020 RM'000 |
|--|-------------------------------|-------------------------------|
| Capital expenditure Authorised and contracted for | 13,217 | 10,737 |

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter and financial year ended 30 June 2021.

ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2021

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 | Preceding year | Changes | | Current | Preceding year | Changes | |
| | quarter | corresponding | (Amount/%) | | financial period | corresponding | (Amount/%) | |
| | 30.06.2021 | 30.06.2020 | | | 30.06.2021 | 30.06.2020 | | |
| | RM'000 | RM'000 | RM'000 / % | | RM'000 | RM'000 | RM'000 / % | |
| Revenue | 93,889 | 30,663 | 63,226 | 206.2% | 420,385 | 403,019 | 17,366 | 4.3% |
| Gross profit | 4,450 | (15,540) | 19,990 | 128.6% | 32,800 | 28,430 | 4,370 | 15.4% |
| Profit before taxation | (899) | (26,033) | 25,134 | 96.5% | 14,172 | 2,971 | 11,201 | 377.0% |
| Profit after taxation | 1,009 | (16,489) | 17,498 | 106.1% | 11,042 | 2,332 | 8,710 | 373.5% |

Group's Financial Performance

The Group recorded a revenue of RM420.4 million for the financial year ended 30 June 2021 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 RM335.2 million or 79.8% (FY2020 - RM283.0 million or 70.2%) and the remaining revenue derived from piling and foundation works from infrastructure and other segments amounting to RM85.1 million or 20.2% (FY2020 - RM120.0 million or 29.8%).

The Group recorded a profit before tax of RM14.2 million for the current financial year ended 30 June 2021, mainly derived from our piling and foundation services being our main revenue stream. Gross profit margin and profit before tax ("PBT") margin stood at 7.8% (FY2020 - 7.1%) and 3.4% (FY2020 - 0.7%) respectively, for the current financial year ended 30 June 2021. Overseas operations had contributed to the higher group revenue compared to last year as Cambodia operations were able to operate during the current pandemic amid tight SOP compliance. The operations had also contributed to the improved PBT and PAT margins compared to the last corresponding quarter and financial year.

Other Income

Included in Other Income for the current financial year is rental income of equipments, disposal of investment property and other assets, recovery of bad debts and impairments amounting to RM1.7 million as compared to RM0.9 million in the preceding year.

Project Updates and Order Book

As at 30 June 2021, there are 27 on-going projects at various stages of completion. Order book stood at approximately RM0.83 billion as at 30 June 2021. Concentration of credit risk with respect of trade receivables is limited except for five (5) customers which accounted for 63.5% (including retention sum) of trade receivables as at 30 June 2021.

B2. Comparison with Preceding Quarter's Results

| | Current | Preceding | Changes | |
|-------------------------------|---------------|---------------|------------|---------|
| | quarter ended | quarter ended | (Amount/%) | |
| | 30.06.2021 | 31.03.2021 | | |
| | RM'000 | RM'000 | RM'000 / % | |
| Revenue | 93,889 | 129,604 | (35,715) | -27.6% |
| Gross profit | 4,450 | 8,557 | (4,107) | -48.0% |
| Profit before taxation | (899) | 5,051 | (5,950) | -117.8% |
| Profit after taxation | 1,009 | 2,611 | (1,602) | -61.4% |

In the current fourth quarter ended 30 June 2021, the Group recorded a lower revenue of RM35.7 million to RM93.9 million from RM129.6 million in the preceding quarter ended 31 March 2021. The piling and foundation works from property development projects and infrastructure projects during the current quarter ended 30 June 2021, amounted to RM78.2 million and RM15.7 million respectively, as compared to RM104.2 million and RM25.4 million respectively, in the preceding quarter ended 31 March 2021. The lower revenue was mainly attributed to the lost one-month operations in June 2021 due to the Full Movement Control Order (FMCO) nationwide lockdown in Malaysia.

The loss before tax for the current quarter ended 30 June 2021 as compared to the preceding quarter ended 31 March 2021 was mainly due to the losses on some infrastructure jobs and impairments of some receivables impacted by the multiple Movement Control Orders (MCOs).

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2021

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 presence of our machinery and personnel in Phnom Penh, 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 year ended 30 June 2021 is stated after charging/(crediting) :-

| | Current quarter ended 30.06.2021 RM'000 | Current financial year ended 30.06.2021 RM'000 |
|---|--|---|
| Depreciation of investment properties | 21 | 17 |
| Depreciation of property, plant and equipment | 5,709 | 22,839 |
| Depreciation of right-of-use assets | 239 | 315 |
| Finance income | (52) | (305) |
| Finance expense | 607 | 3,019 |

B6. Taxation

| | Current quarter ended 30.06.2021 RM'000 | Current financial year ended 30.06.2021 RM'000 |
|-----------------------|--|---|
| Current tax expense | | |
| - current period/year | (749) | 4,289 |
| - prior year | 2,548 | 2,548 |
| Deferred tax expense | (3,707) | (3,707) |
| | <u>(1,908)</u> | <u>3,130</u> |

The effective tax rate for the current financial year ended 30 June 2021 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 September 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 30 June 2021 are as follows:

| | Short Term RM'000 | Long Term RM'000 | Total RM'000 |
|---------------------------|------------------------------|-----------------------------|-------------------------|
| <u>Secured</u> | | | |
| Bankers acceptances | 55,051 | - | 55,051 |
| Revolving credit | 18,000 | - | 18,000 |
| Hire purchase liabilities | 546 | 1,039 | 1,585 |
| Lease liabilities | 292 | 75 | 367 |
| Term loans | 1,901 | 2,886 | 4,787 |
| | <u>75,790</u> | <u>4,000</u> | <u>79,790</u> |

All borrowings of the Group are denominated in Ringgit Malaysia.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2021

B9. Ageing Analysis of Trade Receivables

| | As at 30.06.2021 RM'000 | As at 30.06.2020 RM'000 |
|--|--|--|
| Neither past due nor impaired | 36,704 | 146,879 |
| 1 to 60 days past due not impaired | 26,889 | 20,261 |
| 61 to 120 days past due not impaired | 62,507 | 39,209 |
| More than 120 days past due not impaired | 237,002 | 114,653 |
| | 326,398 | 174,123 |
| Impaired | 22,138 | 22,430 |
| Total Trade Receivables | 385,240 | 343,432 |
| Less: Allowance for impairment | (22,138) | (22,430) |
| Net Trade Receivables | 363,102 | 321,002 |
| Other receivables and deposits | 5,725 | 3,356 |
| | <u>368,827</u> | <u>324,358</u> |

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 20 September 2021, being a date not earlier than 7 days from the date of this announcement.

| | As at 20.09.2021 RM'000 | As at 30.06.2020 RM'000 |
|--|--|--|
| Group | | |
| Performance guarantees given to contract customers and suppliers in relation to construction contracts | 81,482 | 70,674 |

B11. Material Litigation

The Group does not have any material litigation as at 20 September 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 ended 30 June 2021.

B13. Earnings Per Share

The earnings per share for the current quarter and financial year ended 30 June 2021 is computed as follows:-

| | Current quarter ended 30.06.2021 | Current financial year ended 30.06.2021 |
|--|---|--|
| Profit attributable to the Owners of the Company for the financial period (RM'000) | 1,009 | 11,042 |
| Weighted average number of ordinary shares in issue ('000) | 1,417,500 | 1,378,705 |
| Basic Earnings Per Share (sen) | 0.07 | 0.80 |