



ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2022

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 2021.

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 2021 except for the following new/revised MFRSs and amendments to MFRSs:

	Effective for annual periods beginning on or after
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16	Interest Rate Benchmark Reform - Phase 2 1 January 2021
Amendments to MFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 1 April 2021
Amendments to MFRS 1	First-time Adoption of MFRS (Annual Improvements to MFRS Standards 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- 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 and Disclosures of Accounting Policies 1 January 2023
Amendments to MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates 1 January 2023
Amendments to MFRS 112	Income Taxes - Deferred Tax related to Assets and Liabilities arising from a Single Transaction 1 January 2023
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between and 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 2021 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 those disclosed in notes B1 and B2, for financial quarter ended 31 March 2022.

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(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2022**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 quarter 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 31 March 2022.

A8. Dividends Paid

No dividend was declared and paid in the current quarter ended 31 March 2022.

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.

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 2021.

A11. Significant Post Balance Sheet Event

There were no material events as at 18 May 2022, being the date not earlier than 7 days from the date of this announcement, that will affect the financial results of the current financial quarter 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 quarter.

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 2021 to 18 May 2022, being a date not earlier than 7 days from the date of this announcement, save for the following:

	As at 18.05.2022 RM'000	As at 30.06.2021 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	78,870	55,632
Company		
- Guarantees given to banks for facilities granted to a subsidiary	76,408	79,424
- Guarantees given to suppliers for credit terms granted to subsidiaries	10,371	16,259

A14. Capital Commitments

	As at 31.03.2022 RM'000	As at 30.06.2021 RM'000
Capital expenditure Authorised and contracted for	10,452	13,217

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter ended 31 March 2022.

ECONPILE HOLDINGS BERHAD

(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2022**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		financial period	corresponding	
31.03.2022	31.03.2021	(Amount/%)	31.03.2022	31.03.2021	(Amount/%)	
	RM'000	RM'000	RM'000 / %	RM'000	RM'000	RM'000 / %
Revenue	92,035	129,604	(37,569) -29.0%	274,930	326,496	(51,566) -15.8%
Gross profit	(7,609)	8,557	(16,166) 188.9%	(8,437)	28,350	(36,787) -129.8%
Profit before taxation	(12,706)	5,051	(17,757) 351.6%	(22,344)	15,071	(37,415) -248.3%
Profit after taxation	(16,227)	2,611	(18,838) 721.5%	(27,400)	10,033	(37,433) -373.1%

Group's Financial Performance

The Group recorded a revenue of RM92.0 million for the financial quarter ended 31 March 2022 mainly from the piling and foundation services for property development projects (3QFY21 - RM104.2 million). The shorter working month in Malaysia for the month of February 2022 contributed to the lower revenue generated for the quarter.

The Group recorded gross loss of RM7.6 million and loss before tax of RM12.7 million for the current financial quarter ended 31 March 2022. The gross loss was mainly due to the losses incurred by an infrastructure project which was completed during the quarter. The high material prices and labour shortages affecting the Group in the recent quarters continued to affect the Group performance, especially on the orders secured before the price hike. Orders won before the Russia-Ukraine conflict have also been affected by the price hike.

Other Income

Included in Other Income for the current financial quarter is rental income of equipment and disposal of property, plant and equipment amounting to RM0.5 million as compared to RM1.6 million in the preceding year.

Project Updates and Order Book

As at 31 March 2022, there are 20 on-going projects at various stages of completion. Order book stood at approximately RM0.55 billion as at 31 March 2022. Concentration of credit risk with respect of trade receivables is limited except for six (6) customers which accounted for 73.3% (including retention sum) of trade receivables as at 31 March 2022.

B2. Comparison with Preceding Quarter's Results

	Current	Preceding	Changes	
	quarter ended	quarter ended	(Amount/%)	
	31.03.2022	31.12.2021	RM'000 / %	
	RM'000	RM'000		
Revenue	92,035	96,896	(4,861) -5.0%	
Gross profit	(7,609)	603	(8,212) -1361.9%	
Profit before taxation	(12,706)	(4,371)	(8,335) 190.7%	
Profit after taxation	(16,227)	(5,377)	(10,850) 201.8%	

In the current third financial quarter ended 31 March 2022, the Group recorded a lower revenue of RM92.0 million compared to the preceding quarter ended 31 December 2021. Malaysian operations were slower in February 2022 due to the Chinese New Year celebrations. Cambodian operations were operating as normal and hence the slight drop of 5% in revenue compared to preceding financial quarter.

The losses for the current quarter ended 31 March 2022 was mainly due to the losses recognised for a completed infrastructure job during the financial quarter. Taxes incurred for the quarter were mainly the under-provision of prior year tax for a Malaysian subsidiary and the provision for the Cambodian subsidiary taxes.

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(Company No. 1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2022**B3. Prospects**

Econpile will be cautious in bidding for new jobs in the current volatile material prices for private-initiated property development projects while keeping a close tab on the government 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 will continue to explore opportunities 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 ended 31 March 2022 is stated after charging/(crediting) :-

	Current quarter ended 31.03.2022 RM'000	Current financial year ending 30.06.2022 RM'000
Depreciation of investment properties	16	23
Depreciation of property, plant and equipment	3,677	13,439
Depreciation of right-of-use assets	600	744
Finance income	(116)	(338)
Finance expense	979	2,579

B6. Taxation

	Current quarter ended 31.03.2022 RM'000	Current financial year ending 30.06.2022 RM'000
Current tax expense		
- current period/year	719	2,255
- prior year	2,802	2,802
	<u>3,521</u>	<u>5,057</u>

The current tax expenses are for some profit making companies both in Malaysia and Cambodia. The effective tax rate for the current financial quarter ended 31 March 2022 was higher than the statutory tax rate of 24 percent (20 percent in Cambodia) is primarily due to certain expenses not allowable for tax purposes.

B7. Status of Corporate Proposal

There were no pending corporate proposals up to 18 May 2022, 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 March 2022 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances	58,296	-	58,296
Revolving credit	23,000	-	23,000
Hire purchase liabilities	533	711	1,244
Term loans	7,420	28,238	35,658
	<u>89,249</u>	<u>28,949</u>	<u>118,198</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

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NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2022**B9. Ageing Analysis of Trade Receivables**

	As at 31.03.2022 RM'000	As at 30.06.2021 RM'000
Neither past due nor impaired	64,034	36,705
1 to 60 days past due not impaired	19,638	26,889
61 to 120 days past due not impaired	60,540	62,506
More than 120 days past due not impaired	278,749	232,054
	358,927	321,449
Impaired	22,008	22,075
Total Trade Receivables	444,969	380,229
Less: Allowance for impairment	(22,008)	(22,075)
Net Trade Receivables	422,961	358,154
Other receivables and deposits	7,770	7,705
	430,731	365,859

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 18 May 2022, being a date not earlier than 7 days from the date of this announcement.

	As at 18.05.2022 RM'000	As at 30.06.2021 RM'000
Group		
Performance guarantees given to contract customers and suppliers in relation to construction contracts	89,241	71,891

B11. Material Litigation

The Group does not have any material litigation as at 18 May 2022, being a date not earlier than 7 days from the date of this announcement.

B12. Dividend

No dividend was declared for the quarter ended 31 March 2022.

B13. Earnings Per Share

The earnings per share for the current quarter ended 31 March 2022 is computed as follows:-

	Current quarter ended 31.03.2022	Current financial year ending 30.06.2022
Profit attributable to the Owners of the Company for the financial period (RM'000)	(16,227)	(27,400)
Weighted average number of ordinary shares in issue ('000)	1,417,500	1,417,500
Basic Earnings Per Share (sen)	(1.14)	(1.93)