



ECONPILE HOLDINGS BERHAD
(Registration No. 201201032676)(1017164-M)

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2022

A1. Basis of preparation

The condensed consolidated interim financial statements of the Econpile Holdings Berhad ("EHB" or Company") and its subsidiaries ("Group") 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 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 Amendments to MFRS 116	Leases - Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 137	Property, Plant and Equipment - Proceeds before Intended Use	1 January 2022
Amendments to MFRS 141	Provisions, Contingent Liabilities and Contingent Assets - Onerous Contracts - Costs of Fulfilling a Contract	1 January 2022
Amendments to MFRS 17	Agriculture (Annual Improvements to MFRS Standards 2018 - 2020)	1 January 2022
Amendments to MFRS 101	Insurance Contracts	1 January 2023
Amendments to MFRS 108	Presentation of Financial Statements - Classification of Liabilities as Current or 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 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 EHB 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 266 of the Companies Act, 2016.

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 30 June 2022.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 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 30 June 2022.

A8. Dividends Paid

No dividend was declared and paid in the current quarter ended 30 June 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 23 August 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 23 August 2022, being a date not earlier than 7 days from the date of this announcement, save for the following:-

	As at 23.08.2022 RM'000	As at 30.06.2021 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	37,599	55,632

A14. Capital Commitments

	As at 30.06.2022 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 30 June 2022.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 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	(Amount/%)		financial	corresponding	(Amount/%)	
	30.06.2022	30.06.2021	RM'000 / %		period	period	RM'000 / %	
	RM'000	RM'000			30.06.2022	30.06.2021		
					RM'000	RM'000		
Revenue	98,466	93,645	4,821	5.1%	373,396	420,141	(46,745)	-11.1%
Gross (loss)/profit	(4,649)	4,384	(9,033)	206.1%	(13,085)	32,734	(45,819)	-140.0%
(Loss) / Profit before tax	(8,987)	(849)	(8,138)	-958.5%	(31,330)	14,222	(45,552)	-320.3%
(Loss) / Profit for the period/year	(13,345)	1,062	(14,407)	1356.6%	(40,744)	11,095	(51,839)	-467.2%

Group's Financial Performance

The Group recorded a revenue of RM 98.5 million for the financial quarter ended 30 June 2022 mainly from its piling and foundation services for property development projects versus RM 93.6 million in the preceding year corresponding quarter whereby RM 78.2 million were from its piling and foundation services for property development projects. The 5.1% increase in revenue as compared to preceding year corresponding quarter was mainly attributable to higher revenue generated by its existing construction projects.

The Group recorded a gross loss of RM 4.6 million for the current financial quarter ended 30 June 2022 versus RM 4.3 million gross profit for the preceding year corresponding quarter mainly due to: -

1. Provision of expected losses from on-going onerous contracts; and
2. Increase in budgeted construction cost due to the following: -

- Additional construction material and operational costs due to extension of time for existing construction projects;
- Increase in construction material prices from supply chain disruption due to the after-effects of post pandemic and Russia-Ukraine conflict.

Nevertheless, the impact from the above was partly mitigated by the gross profits generated from its overseas operations.

In line with the above gross loss, the Group recorded a loss of RM 13.3 million for the current financial quarter ended 30 June 2022 versus RM 1.1 million profit for the preceding year corresponding quarter.

Other Income

Included in Other Income for the current financial quarter are realised foreign exchange gains as well as final settlement from a third party, amounting to a total of RM 3.2 million.

Project Updates and Order Book

As at 30 June 2022, there are 19 on-going projects at various stages of completion. Order book stood at approximately RM 443.9 million as at 30 June 2022. Concentration of credit risk with respect of trade receivables is limited except for six (6) customers which accounted for 70.6% (including retention sum) of trade receivables as at 30 June 2022.

B2. Comparison with Preceding Quarter's Results

	3 Months Individual Period		Changes (Amount/%)	
	30.06.2022	31.03.2022		
	RM'000	RM'000	RM'000 / %	
Revenue	98,466	92,035	6,431	7.0%
Gross loss	(4,649)	(7,609)	2,960	-38.9%
Loss before tax	(8,987)	(12,706)	3,719	-29.3%
Loss for the period	(13,345)	(16,227)	2,882	-17.8%

In the current financial quarter, the Group recorded a higher revenue of RM 98.5 million, representing an increase of RM 6.4 million compared to the preceding quarter ended 31 March 2022. This was mainly attributable to higher revenue from its existing construction projects due to higher site operations days. The lower loss for the period was in line with the increase in revenue for the current financial quarter.

B3. Prospects

Following the reopening of the economy and international borders in April 2022, many of the industries are projected to gather further momentum in line with higher level of economic activities. Furthermore, the prices of major construction materials are more stable due to the recovery in the supply chain.

The pace of recovery remains very challenging as the Government had on 15 July 2022 reported that it would be taking measures to save public expenditure by postponing or not proceeding with any projects that have yet to commence. Furthermore, the increase in overnight policy interest, acute labour shortages and rising inflationary pressures have caused some of the existing projects to generate losses whilst others will see reduced margins. Despite the foreseeable hurdles, the Group aims to continue pursuing all possible opportunities to replenish its order book by tendering for property development and government infrastructure projects whilst continuously implementing cost control strategies.

The construction industry in Cambodia is expected to grow by 6.3% in 2022 and register an annual average growth of 9.4% between 2023 and 2026, supported by investment in the infrastructure, commercial and residential sectors. The Group will continue to capitalise on its inherent strength through a proven track record in project implementation. The existing placement of personnel and machinery in Phnom Penh will seek to further fortify our presence in Cambodia.

The market remains competitive and the Group will continue to explore future opportunities amidst the uncertain economic environment.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2022

B4. Profit Forecast or Profit Guarantee

Not applicable as there was no profit forecast or profit guarantee issued.

B5. (Loss) / Profit before tax

Profit for the current quarter ended 30 June 2022 is stated after charging/(crediting) :-

	Current quarter ended 30.06.2022 RM'000	Current financial year ended 30.06.2022 RM'000
Depreciation:-		
- investment properties	16	70
- property, plant and equipment	2,819	16,258
- right-of-use assets	295	1,039
Property, plant and equipment written off	-	3,647
Finance income	(96)	(434)
Finance costs	950	3,529
Gain on disposal:-		
- property, plant and equipment	-	(141)
- investment property	(156)	(221)
Reversal of impairment losses on trade receivables	-	(130)
Fair value gain from other investments	(3)	(17)
	<u>(3)</u>	<u>(17)</u>

B6. Taxation

	Current financial year ending 30.06.2022 RM'000	Previous financial year ending 30.06.2021 RM'000
Current tax expense		
- current year	2,972	4,287
- prior year	2,802	2,548
	<u>5,774</u>	<u>6,835</u>
Deferred tax expense		
- current year	-	279
- prior year	-	(3,987)
	<u>-</u>	<u>(3,708)</u>
Withholding tax	3,640	-
	<u>9,414</u>	<u>3,127</u>

The current tax expenses are for some profit making companies in Malaysia and Cambodia and deferred tax assets not recognised for losses incurred in certain a subsidiary.

B7. Status of Corporate Proposal

There were no pending corporate proposals up to 23 August 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 30 June 2022 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Bankers acceptances	49,092	-	49,092
Revolving credit	28,000	-	28,000
Hire purchase liabilities	540	574	1,114
Term loans	7,418	26,385	33,803
	<u>85,050</u>	<u>26,959</u>	<u>112,009</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - FOURTH QUARTER ENDED 30 JUNE 2022

B9. Ageing Analysis of Trade Receivables

	As at 30.06.2022 RM'000	As at 30.06.2021 RM'000
Neither past due nor impaired	56,124	36,705
1 to 60 days past due not impaired	22,530	26,889
61 to 120 days past due not impaired	19,823	62,506
More than 120 days past due not impaired	353,052	254,129
	<u>395,406</u>	<u>343,524</u>
Total Trade Receivables	451,530	380,229
Less: Allowance for impairment	(23,775)	(22,075)
Net Trade Receivables	427,755	358,154
Other receivables and deposits	7,921	7,705
	<u><u>435,676</u></u>	<u><u>365,859</u></u>

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 23 August 2022, being a date not earlier than 7 days from the date of this announcement.

Company	As at 23.08.2022 RM'000	As at 30.06.2021 RM'000
Financial guarantees given to suppliers and banks for facilities	79,485	95,683

B11. Material Litigation

The Group does not have any material litigation as at 23 August 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 30 June 2022.

B13. (Loss)/Earnings Per Ordinary Share

The loss per ordinary share for the current quarter ended 30 June 2022 is computed as follows:-

	Current quarter ended 30.06.2022	Current financial year ended 30.06.2022
Loss attributable to ordinary shareholders of the Company for the financial period (RM'000)	(13,345)	(40,744)
Weighted average number of ordinary shares in issue ('000)	<u>1,417,500</u>	<u>1,417,500</u>
Basic Loss Per Ordinary Share (sen)	<u>(0.94)</u>	<u>(2.87)</u>

B14 Authorised for issue

The interim financial report was authorised for issue by the Board of Directors.