



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

NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2023

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 2022.

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 2022 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 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 141	Agriculture (Annual Improvements to MFRS Standards 2018 - 2020)	1 January 2022
MFRS 17	Insurance Contracts	1 January 2023
Amendments to MFRS 17	Insurance Contracts – Initial application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
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
Amendment to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101	Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 10	Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets	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 2022 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.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2023

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 2023.

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 2023.

A8. Dividends Paid

No dividend was declared and paid in the current quarter ended 31 March 2023.

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 2022.

A11. Significant Post Balance Sheet

There were no material events as at 17 May 2023, 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 2022 to 17 May 2023, being a date not earlier than 7 days from the date of this announcement, save for the following:-

	As at 17.5.2023 RM'000	As at 30.6.2022 RM'000
Contingent Liabilities (Unsecured) Group		
- Guarantees given to contract customers in relation to construction contracts	40,059	53,556

A14. Capital Commitments

	As at 31.3.2023 RM'000	As at 30.6.2022 RM'000
Capital expenditure Authorised and contracted for	10,452	10,452

A15. Significant Related Party Transactions

There were no significant related party transactions for the current quarter ended 31 March 2023.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2023

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	Preceding year	Changes		Current	Preceding year	Changes	
	year	corresponding	(Amount/%)		financial	corresponding	(Amount/%)	
	quarter	quarter			period	period		
	31.3.2023	31.3.2022			31.3.2023	31.3.2022		
	RM'000	RM'000	RM'000 / %		RM'000	RM'000	RM'000 / %	
Revenue	96,683	92,035	4,648	5.1%	273,866	274,930	(1,064)	-0.4%
Gross profit/(loss)	4,375	(7,609)	11,984	157.5%	10,711	(8,437)	19,148	227.0%
Profit/(Loss) before tax	1,232	(12,706)	13,938	109.7%	(2,612)	(22,344)	19,732	88.3%
Loss for the period	(217)	(16,227)	16,010	98.7%	(6,679)	(27,400)	20,721	75.6%

Group's Financial Performance

The Group recorded a revenue of RM 96.7 million for the financial quarter ended 31 March 2023 versus RM 92.0 million in the preceding year corresponding quarter mainly from its piling and foundation services for property development projects.

The Group recorded a gross profit of RM 4.4 million for the current financial quarter ended 31 March 2023 versus RM 7.6 million gross loss for the preceding year corresponding quarter. This is mainly due to higher gross profit generated from its on-going construction projects, stabilizing building material costs and improvement in labour supply.

In terms of loss for the period, the Group recorded a lower loss of RM 0.2 million versus RM 16.2 million for the preceding year corresponding quarter, due to increase in gross profit as stated above.

Project Updates and Order Book

As at 31 March 2023, there are 24 on-going projects at various stages of completion. Order book stood at approximately RM 404.7 million as at 31 March 2023. Concentration of credit risk with respect of trade receivables is limited except for seven (7) customers which accounted for 70.6% (including retention sum) of trade receivables as at 31 March 2023.

B2. Comparison with Preceding Quarter's Results

	3 Months Individual Period		Changes (Amount/%)	
	31.3.2023	31.12.2022		
	RM'000	RM'000	RM'000 / %	
Revenue	96,683	95,325	1,358	1.4%
Gross profit	4,375	7,174	(2,799)	-39.0%
Profit/ (loss) before tax	1,232	(327)	1,559	476.8%
Loss for the period	(217)	(1,635)	1,418	86.7%

In the current financial quarter, the Group recorded marginal improvement in revenue as compared to the immediate preceding quarter. Nevertheless, the decrease in gross profit is due to lower margins derived from project nearing completion and losses from completed project. Profit before tax during the quarter under review was mainly attributed to reversal of impairment loss from trade receivables of RM1.5 million and unrealised foreign exchange gain of RM0.3 million.

B3. Prospects

The construction sector in Malaysia is anticipated to increase by 6.1% in 2023, supported by an improved performance by all subsectors. Activities in the residential building subsector are projected to grow steadily, supported by an increase in the supply of affordable houses in line with the 12th Malaysia Plan strategy and implementation of measures under the Budget 2022. In addition, the increased demand for industrial buildings was due to improved private investment and robust domestic economic activities. Further, this is attributable to the gradual improvement in working conditions, particularly on the labour front.

However, the absence of new infrastructure projects in the pipeline and rising building material costs may dampen the sector's sentiment moving forward. Management will continue to monitor and manage the Group's business risks. The Group's focus is on the execution and timely completion of the existing of 24 on-going projects, in addition to tendering for more projects to replenish its order book.

Looking at Cambodia, the National Bank of Cambodia has forecasted Cambodia's economic growth to be 6% in 2023 despite high external challenges. The growth was largely supported by recovery of the construction and real estate sectors, with expected increase of 1.7% and 1.2% in 2023, respectively, due to growing domestic demand and the trend of affordable real estate market. Furthermore, inbound foreign investment will help to bring the real estate sector back to healthy pre-pandemic levels. However, rising building material costs may dampen the growth of the construction and real estate sectors. Nevertheless, the Group believes that its track record, existing fleet in Phnom Penh and positive progress in its present undertakings will place it in good stead to secure more jobs 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 - THIRD QUARTER ENDED 31 MARCH 2023

B4. Profit Forecast or Profit Guarantee

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

B5. Profit/(Loss) before tax

Profit/(Loss) for the current period ended 31 March 2023 is stated after charging/(crediting):-

	Current period ended 31.3.2023 RM'000	Preceding year corresponding period 31.3.2022 RM'000
Depreciation of investment properties	45	23
Depreciation of property, plant and equipment	6,073	13,439
Depreciation of right-of-use assets	797	744
Fair value gain from other investments	(11)	(13)
Finance income	(442)	(338)
Finance costs	3,461	2,579
Gain on disposal of investment property	(104)	-
Gain on disposal of property, plant and equipment	(382)	(141)
Reversal of impairment loss on trade receivables	(1,500)	-
	<u>(1,500)</u>	<u>-</u>

B6. Taxation

	Current period ended 31.3.2023 RM'000	Preceding year corresponding period 31.3.2022 RM'000
Current tax:-		
- Current financial period	1,882	4,337
- Under provision in the previous financial year	203	719
Withholding tax	1,976	-
Real property gain tax	5	-
	<u>4,067</u>	<u>5,056</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 a subsidiary.

B7. Status of Corporate Proposal

There were no pending corporate proposals up to 17 May 2023, 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 2023 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
<u>Secured</u>			
Revolving credit	33,000	-	33,000
Bank loan	7,418	20,825	28,243
	<u>40,418</u>	<u>20,825</u>	<u>61,243</u>
<u>Unsecured</u>			
Hire purchase liabilities	561	150	711
Bankers' acceptances	35,744	-	35,744
	<u>36,305</u>	<u>150</u>	<u>36,455</u>
	<u>76,723</u>	<u>20,975</u>	<u>97,698</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2023

B9. Ageing Analysis of Trade Receivables

	As at 31.3.2023 RM'000	As at 30.6.2022 RM'000
Not past due	161,024	152,898
Past due 1 - 60 days	25,603	35,976
Past due 61 to 120 days	18,229	70,422
Past due more than 120 days	217,101	191,580
	<u>260,933</u>	<u>297,978</u>
Total Trade Receivables	421,957	450,876
Less: Impairment losses	(22,275)	(23,775)
Net Trade Receivables	<u>399,682</u>	<u>427,101</u>
Other receivables and deposits	7,380	7,937
	<u>407,062</u>	<u>435,038</u>

B10. Financial Instruments

Save for below, there were no financial instruments with off balance sheet risks as at 17 May 2023, being a date not earlier than 7 days from the date of this announcement.

	As at 17.5.2023 RM'000	As at 30.6.2022 RM'000
Company		
Financial guarantees given to suppliers and banks for facilities	<u>84,683</u>	<u>79,424</u>

B11. Material Litigation

The Group does not have any material litigation as at 17 May 2023, 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 2023.

B13. Loss Per Ordinary Share

The calculation of basic loss per ordinary share was based on the loss attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:-

	Current period ended 31.3.2023	Preceding year corresponding period 31.3.2022
Loss attributable to ordinary shareholders of the Company for the financial period (RM'000)	(6,679)	(27,400)
	<u>1,417,500</u>	<u>1,417,500</u>
Weighted average number of ordinary shares in issue ('000)		
Basic loss per ordinary share (sen)	<u>(0.47)</u>	<u>(1.93)</u>

B14 Authorised for issue

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