



**ECONPILE HOLDINGS BERHAD**

(Company No. 1017164-M)

**NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2014**

**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 is the first interim financial report on the consolidated results for the third quarter ended 31 March 2014 announced by the Company in compliance with the MMLR and as such, there are no comparative figures for the preceding year's corresponding period.

This interim financial statements should be read in conjunction with the Proforma Consolidated Financial Information and the Accountants' Report for the financial period ended 31 January 2014 as disclosed in the Prospectus of the Company dated 11 June 2014.

**A2. Significant Accounting Policies**

The Group has adopted merger accounting method for the preparation of this interim combined financial statements. The significant accounting policies and methods of computation adopted in the preparation of this interim financial statements are consistent with those adopted as disclosed in the Accountants' Report in the Prospectus of the Company dated 28 May 2014 except for the adoption of the following new standards and amendments to standards issued by Malaysian Accounting Standards Board ("MASB") that are mandatory for the Group for the financial year beginning on 1st July 2013:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (2011)
MFRS 127	Separate Financial Statements (2011)
MFRS 128	Investments in Associates and Joint Ventures (2011)
Amendments to MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards - Government Loans
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance

The following accounting standards, amendments and interpretations that have been issued by the MASB but have not been adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities	1 January 2014
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities	1 January 2014
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities	1 January 2014
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139	Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	Levies	1 January 2014

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		Effective for annual periods beginning on or after
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2011-2013 Cycle)	1 July 2014
Amendments to MFRS 2	Share-based Payment (Annual Improvements 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 3	Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)	1 July 2014
Amendments to MFRS 8	Operating Segments (Annual Improvements 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 13	Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)	1 July 2014
Amendments to MFRS 116	Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 119	Employee Benefits - Defined Benefit Plans: Employee Contributions	1 July 2014
Amendments to MFRS 124	Related Party Disclosures (Annual Improvements 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 138	Intangible Assets (Annual Improvements 2010-2012 Cycle)	1 July 2014
Amendments to MFRS 140	Investment Properties (Annual Improvements 2011-2013 Cycle)	1 July 2014
MFRS 9	Financial Instruments (2009)	Date yet to be confirmed
MFRS 9	Financial Instruments (2010)	Date yet to be confirmed
MFRS 9	Financial Instruments - Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139	Date yet to be confirmed
Amendments to MFRS 7	Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures	Date yet to be confirmed

**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 2013 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 and financial period ended 31 March 2014.

**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**

There were no issuance, cancellation, repurchase, resale and repayment of debts and equity securities during the current quarter and financial period ended 31 March 2014.

**A8. Dividends Paid**

No dividends were paid by the Company in the current quarter and financial period ended 31 March 2014.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2014****A9. Segmental Reporting**

The Group's financial information analysed by business segment is as follows:

*Financial period ended 31 March 2014:*

	<b>Piling and Foundation Services RM'000</b>	<b>Property Investment, Rental of Machinery and Sales of Goods RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>Revenue</b>				
Revenue from external sales	318,851	6	-	318,857
Inter-segment sales	10	130	(140)	-
	<u>318,861</u>	<u>136</u>	<u>(140)</u>	<u>318,857</u>
<b>Results</b>				
Segment Results	36,749	112	-	36,861
Finance costs	(1,335)	-	-	(1,335)
Profit/(Loss) before taxation	<u>35,414</u>	<u>112</u>	<u>-</u>	<u>35,526</u>
Taxation	(10,839)	(50)	-	(10,889)
Profit/(Loss) after taxation	<u>24,575</u>	<u>62</u>	<u>-</u>	<u>24,637</u>
<b>Segment Assets</b>	<u>214,940</u>	<u>95,693</u>	<u>(90,121)</u>	<u>220,512</u>
<b>Segment Liabilities</b>	<u>107,240</u>	<u>15</u>	<u>(121)</u>	<u>107,134</u>

Comparative figures for the preceding financial period are not presented as this is the first interim financial report for the third quarter ended 31 March 2014 being announced by the Company.

**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 2013.

**A11. Significant Post Balance Sheet Event**

Save as disclosed in Note B7 on the Status of Corporate Proposals, there were no material events as at 9 June 2014, 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**

Upon completion of the Acquisitions as disclosed under Note B7 on the Status of Corporate Proposals, the Group structure is as follows:

- (i) Econpile (M) Sdn. Bhd. is a wholly-owned subsidiary of the Company; and
- (ii) Platinum Production Sdn. Bhd. is a wholly-owned subsidiary of Econpile (M) Sdn. Bhd.

The Acquisitions were accounted for using the Merger Method whereby the difference between the acquisition costs and the nominal value of the share capital of the subsidiaries is taken to the merger or deficit, where applicable. The Acquisitions have resulted in a merger deficit amounting to RM87.0 million.

**A13. Contingent Liabilities and Contingent Assets**

There were no material changes in contingent liabilities and contingent assets since the last annual balance sheet date as at 30 June 2013 to 9 June 2014, being a date not earlier than 7 days from the date of this announcement, save for the following:

	<b>As at 09.06.14 RM'000</b>	<b>As at 30.06.13 RM'000</b>
Company		
Contingent Liabilities (Unsecured)		
- Guarantees given to contract customers in relation to construction contracts	<u>42,493</u>	<u>25,119</u>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2014****A14. Capital Commitments**

	As at 31.03.14 RM'000	As at 30.06.13 RM'000
Capital expenditure Authorised and contracted for	-	-

**A15. Significant Related Party Transactions**

	Current quarter ended 31.03.14 RM'000	Preceding year corresponding quarter ended 31.03.13 RM'000	Current financial period ended 31.03.14 RM'000	Preceding year corresponding period ended 31.03.13 RM'000
Rental expense paid to a related party	4	N/A	12	N/A

*Note: No comparative figures for the preceding year corresponding quarter/period are available as this is the first interim financial report on the consolidated results for the third quarter ended 31 March 2014 being announced by the Company in compliance with the MMLR of Bursa Securities.*

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2014****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**

	<b>Current financial period ended 31.03.14 RM'000</b>	<b>Preceding year corresponding period ended 31.03.13 RM'000</b>
<b>Revenue</b>	318,857	N/A
<b>Profit before taxation</b>	35,526	N/A

The Group recorded a revenue of RM318.9 million for the current 9-month period ended 31 March 2014 mainly from the piling and foundation services business segment. Revenue contribution from property development projects continue to dominate the Group's revenue, amounting to RM199.4 million or 62.5% and the remaining revenue derived from infrastructure and energy segment amounting to RM119.5 million or 37.5%.

The Group recorded a profit before tax of RM35.5 million for the current 9-month ended 31 March 2014, mainly derived from our piling and foundation services being our main revenue stream. The operating expenses include an initial cost recognition for the employees defined benefit plan of RM3.6 million (Note B5) during the current financial period.

No comparative figures are presented for the preceding year corresponding period as this is the first interim financial report on the consolidated results for the results for the third quarter ended 31 March 2014 announced by the Company.

**B2. Comparison with Preceding Quarter's Results**

No comparative figures are presented for the immediate preceding quarter as this is the first interim financial report on the consolidated results for the results for the third quarter ended 31 March 2014 announced by the Company in compliance with the MMLR of Bursa Securities.

**B3. Prospects**

The Directors expect the overall Group's 2014 performance to improve on the back of the continued growth expected from the piling and foundation services market in Malaysia.

Revenue from property development business segment is expected to grow in view of the high volume of property development activities particularly in Penang and Johor Darul Takzim. The Group's infrastructure and energy business segment is also expected to benefit from the government-initiated infrastructure projects including proposed elevated express highways connecting major cities in Malaysia.

**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 period is stated after charging/(crediting) :-

	<b>Current quarter ended 31.03.14 RM'000</b>	<b>Current financial period ended 31.03.14 RM'000</b>
Depreciation of investment properties	7	20
Depreciation of properties, plant and equipments	3,793	10,726
Expenses related to defined benefit plan	3,564	3,564
Finance income	(307)	(565)
Finance expense	466	1,335
Rental of machinery and equipment	483	1,854

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2014****B6. Taxation**

	<b>Current quarter ended 31.03.14 RM'000</b>	<b>Current financial period ended 31.03.14 RM'000</b>
Current tax expense	2,109	10,889
Deferred tax expense	-	-
	<u>2,109</u>	<u>10,889</u>

The effective tax rate for the current financial period ended 31 March 2014 was higher than the statutory tax rate of 25 percent is primarily due to underprovision of tax in prior years and also certain expenses not allowable for tax purposes.

**B7. Status of Corporate Proposal**

In conjunction with, and as an integral part of the Company's listing on the Main Market of Bursa Securities, the following listing scheme was undertaken by the Company:

**(i) Acquisition**

Acquisition of Econpile (M) Sdn. Bhd. ("ESB")

Acquisition by the Company of the entire issued and paid-up share capital in ESB comprising 2,000,000 ordinary shares of RM1.00 each for total purchase consideration of RM89,000,000.00 which was entirely satisfied by the issuance of 445,000,000 new ordinary shares of RM0.20 each in the Company at an issue price of RM0.20 per share, credited as fully paid ("Acquisition").

The Acquisition was completed on 26 September 2013.

**(ii) Initial Public Offering**

Public Issue

The Company will undertake a public issue of 90,000,000 new ordinary shares, representing approximately 16.82% of the Company's enlarged issued and paid-up share capital at an issue price of RM0.20 per share to be allocated in the following manner:

- (a) 27,000,000 Public Issue Shares, representing approximately 5.05% of the Company's enlarged issued and paid-up share capital, will be available for application by the Public, of at least 50% shall be set aside for Bumiputera investors;
- (b) 3,500,000 Public Issue Shares, representing approximately 0.65% of the Company's enlarged issued and paid-up share capital, for application by eligible Directors, employees and persons who have contributed to the success of the Group;
- (c) 47,500,000 Public Issue Shares, representing approximately 8.88% of the Company's enlarged issued and paid-up share capital, for application by way of private placement to identified investors; and
- (c) 12,000,000 Public Issue Shares, representing approximately 2.24% of the Company's enlarged issued and paid-up share capital, for application by way of private placement to identified Bumiputera investors approved by Ministry of International Trade and Industry.

Offer for Sale

Concurrent with the Public Issue, the offerors, namely Mr The Cheng Eng and Mr Pang Sar, being the substantial shareholders of the Company, will offer for sale up to 55,000,000 Offer Shares at an offer price of RM0.54 per ordinary share, representing approximately up to 10.28% of the Company's enlarged issued and paid-up share capital, to identified Bumiputera investors approved by the Ministry of International Trade and Industry.

**(iii) Listing on Bursa Securities**

The listing and quotation of the Company's entire enlarged issued and paid-up share capital of RM107,000,002 comprising 535,000,010 ordinary shares of RM0.20 each on the Main Market of Bursa Securities.

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2014**

Subsequent to the listing on the Main Market of Bursa Securities which is scheduled on 30 June 2014, the gross proceeds from the Public Issue amounting to RM48.60 million will be utilised in the following manner:

Details of Utilisation	RM'000	%	Timeframe for utilisation upon listing
(i) Purchase of machinery and equipment	14,580	30.00%	Within 18 months
(ii) Repayment of bank borrowings	12,150	25.00%	Within 24 months
(iii) Working capital	18,160	37.37%	Within 24 months
(iv) Estimated listing expenses	3,710	7.63%	Upon listing
Total gross proceeds	<u>48,600</u>	<u>100.00%</u>	

Note: The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 11 June 2014.

Save as disclosed above, there were no pending corporate proposals up to 9 June 2014, being a date not earlier than 7 days from the date of this announcement.

**B8. Investment in Quoted Securities**

There were no purchases or disposals of quoted securities during the current quarter and financial period ended 31 March 2014.

**B9. Sale of Unquoted Investments and/or Properties**

There were no sale of unquoted investment and/or properties during the current quarter and financial period ended 31 March 2014.

**B10. Group Borrowings and Debt Securities**

The Group's borrowings as at 31 March 2014 are as follows:

	Short Term RM'000	Long Term RM'000	Total RM'000
<b><u>Secured</u></b>			
Bankers acceptances	12,300	-	12,300
Finance lease liabilities	11,340	8,272	19,612
Term loans	99	2,853	2,952
	<u>23,739</u>	<u>11,125</u>	<u>34,864</u>

All borrowings of the Group are denominated in Ringgit Malaysia.

**B9. Realised/Unrealised profits**

	As at 31.03.14 RM'000	As at 31.12.13 RM'000
Total retained earnings of the Company and its subsidiaries		
- realised	111,378	N/A
- unrealised	-	N/A
Total retained earnings as per consolidated accounts	<u>111,378</u>	<u>N/A</u>

No comparative figures are presented for the preceding year corresponding period as this is the first interim financial report on the consolidated results for the results for the third quarter ended 31 March 2014 announced by the Company.

**B10. Off Balance Sheet Financial Instruments**

Save for below, there were no financial instruments with off balance sheet risks as at 9 June 2014, being a date not earlier than 7 days from the date of this announcement.

	As at 09.06.14 RM'000	As at 30.06.13 RM'000
Performance guarantees given to contract customers in relation to construction contracts	<u>42,493</u>	<u>25,119</u>

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**NOTES TO THE INTERIM FINANCIAL STATEMENTS - THIRD QUARTER ENDED 31 MARCH 2014****B11. Material Litigation**

The Group does not have any material litigation as at 9 June 2014, being a date not earlier than 7 days from the date of this announcement.

**B12. Dividend**

No dividend was declared for the current quarter and financial period ended 31 March 2014.

**B13. Earnings Per Share**

The earnings per share for the quarter ended 31 March 2014 is computed as follows:-

	<b>Current quarter ended 31.03.14 RM'000</b>	<b>Current financial period ended 31.03.14 RM'000</b>
Profit for the quarter/period, attributable to owners of the parent	5,487	24,637
Weighted average number of ordinary shares of RM0.20 each in issue *	445,000	445,000
Basic Earnings Per Share (sen)	1.23	5.54

\* Based on the issued share capital after the completion of the Acquisition as disclosed in Note B7(i) but prior to the Public Issue as detailed in Note B7(ii).

There is no diluted earnings per share as the Company does not have any convertible financial instruments as at the end of the financial period ended 31 March 2014.