EKOVEST BERHAD

(Company No. 132493-D)
(Incorporated in Malaysia under the Companies Act, 1965)

Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad

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Notes to the Interim Financial Report (3rd Quarter – 31 March 2017)

A1 Basis of Preparation

The condensed interim financial statements are unaudited and have been prepared in compliance with the Financial Reporting Standard ('FRS') 134: Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. The condensed interim financial statements should be read in conjunction with the Group's annual reports and financial statements for the year ended 30 June 2016.

1.1 Changes in Accounting Policies

The significant accounting policies, methods of computation and basis of consolidation adopted are consistent with those of the most recent audited financial statements for the year ended 30 June 2016, except for the change in the amortisation method for the concession assets. The amortisation formula applied to arrive at the amortisation charge for each financial period beginning on or after 1 July 2016 is as follows:

$$\frac{\text{Cumulative traffic volume to-date}}{\text{Projected total traffic volume for the entire concession period}} \times \text{Carrying amount of concession assets at beginning of the year} + \text{Additions during the year}$$

1.2 Malaysian Financial Reporting Standards ("MFRS")

On 19 November 2011, the MASB issued a new MASB approved accounting framework, i.e. Malaysian Financial Reporting Standards ("MFRS"). The MFRS is to be applied by all entities other than private entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and / or IC Interpretation 15 Agreements for Construction of Real Estate, including the entities' parent, significant investor and venture (referred to as 'Transitioning Entities" collectively). Transitioning Entities are allowed to defer adoption of the MFRS, and continue to use the existing FRS framework until the MFRS framework is mandated by the MASB. The Group falls within the definition of Transitioning Entities and has opted to defer adoption of MFRS.

According to an announcement made by the MASB on 28 October 2015, all Transitioning Entities shall adopt the MFRS framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2018.

The Group will adopt the MFRS framework and will prepare its first set of MFRS financial statements for the financial year ending 30 June 2019. In presenting its first sets of MFRS financial statements, the Group will quantify the financial effects arising from the differences between MFRS and the currently applied FRS. The majority of the adjustments required on transition are expected to be made, retrospectively, against opening retained earnings of the Group. Accordingly, the financial performance and financial position of the Group as presented in these condensed interim financial statements could be different if prepared in accordance with MFRS.

A2 Audit Report

The preceding annual financial statements of the group were not qualified.

A3 Seasonal or Cyclical Factors

Although seasonal or cyclical changes have minimal impact on the operations of the Group, the business is nevertheless susceptible to the vagaries of the construction and property development industries.

A4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the period under review.

A5 Changes in the Estimates of Amount Reported Previously With Material Effect in Current Interim Period

Not applicable.

A6 Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

A7 Dividend

The shareholders have on 23 November 2016 approved the payment of a first and final single tier dividend of 3 sen per ordinary share of RM0.50 each amounting to RM25,663,466 for the financial year ended 30 June 2016. The said dividend has been paid on 16 February 2017 to members whose name appear in the Record of Depositors on 31 January 2017.

A8 Segmental Reporting

Segmental information is presented in respect of the Group's business segment. Transactions between segments were entered into in the normal course of business and were established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

9 Months Ended 31 March 2017

	Construction RM '000	Investment holding RM '000	Property development RM '000	Toll operations RM '000	Total RM '000
Revenue	598,837	683	74,669	96,067	770,256
Operating profit	156,761	170	20,907	69,252	247,090
Interest Income					2,879
Interest Expense					(96,462)
Share Option Expense					(22,622)
Profit before tax					130,885

9 Months Ended 31 March 2016

	Construction RM '000	Investment holding RM '000	Property development RM '000	Toll operations RM '000	Total RM '000
Revenue	387,228	1,258	20,791	93,233	502,510
Operating profit	29,170	(427)	782	74,689	104,214
Interest Income					2,666
Interest Expense					(75,080)
Profit before tax					31,800

A9 Revaluation of Property, Plant and Equipment

There were no amendments in the valuation amount of revalued assets brought forward to the current quarter ended compared to most recent annual financial statements.

A10 Material Subsequent Event

There have been no material event subsequent to the quarter and period ended 31 March 2017.

A11 Changes in Composition of the Group

Nuzen Corporation Sdn Bhd ("NCSB"), a wholly-owned subsidiary of Wira Kristal Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company, had on 13 February 2017, completed the disposal of its 40% equity interest held in Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd ("**Kesturi**") to Employees Provident Fund Board ("**EPF**").

Other than the above changes, there were no other changes in the composition of the Company or the Group for the quarter under review.

A12 Contingent Liabilities

There have been no contingent liabilities subsequent to the quarter and period ended 31 March 2017.

A13 Capital Commitments

Capital commitments of the Group as 31 March 2017 are as follows -

	RM '000
Capital expenditure in respect of :	
- purchase of properties, approved and contracted for	1,728
- concession assets, approved and contracted for	3,383,902

A14 Significant Related Party Transactions

The Group has significant related party transactions with companies in which certain directors of the Company have interests, as follows:

	As at 31 March 2017 RM '000
With company in which certain Directors of the Company, have interests:	
Knusford Marketing Sdn Bhd	9,963
Astana Setia Sdn Bhd	12,608
WCM Power Sdn Bhd	5,950

Notes to the Interim Financial Report (3rd Quarter - 31 March 2017)

B1 Review of Performance for the Period

The Group recorded a revenue and profit before tax of RM770.26 million and RM130.89 million respectively for the current quarter and period ended 31 March 2017 as compared to a revenue of RM502.51 million and a profit before tax of RM31.80 million for the preceding year corresponding period.

The increase in the revenue and profit before tax for the reporting period was mainly due to the commencement of preliminary and construction work for Setiawangsa-Pantai Expressway (SPE). Higher sales recognition for EkoCheras project coupled with advanced progress work has also contributed to a higher revenue from the property development segment.

B2 Review of Performance for the Quarter

The Group reported a profit before taxation of RM21.26 million from a revenue of RM291.75 million as compared to the previous quarter of RM55.45 million profit before tax from a revenue of RM274.96 million.

Despite an increase in the revenue, the profit before tax for the reporting quarter for the Group has decreased mainly due to the one-off expense amounting to RM22.62 million on the recognition of the fair value adjustment pursuant to the granting of the Employees' Share Option Scheme on 9 March 2017 during the current quarter. The lower contribution from the preliminary and enabling work for SPE which has a better profit margin has also resulted in a lower profit before tax for the current quarter.

B3 Prospects

The Board expects the ongoing construction of the DUKE Phase-2 and SPE, toll revenue and the recognition of unbilled sales from property development activities to contribute positively to the Group's turnover and profitability in the current financial year.

Barring any unforeseen circumstances, the Board is confident that the Group's performance would be much better for the financial year ending 30 June 2017 as compared to the previous financial year.

B4 Forecast/Profit Guarantee

There is no profit guarantee or financial forecast for the current quarter and for the year.

B5 Taxation

	GROUP	
	CURRENT QUARTER ENDED 31 MARCH 2017 RM '000	**9 MONTHS ENDED 31 MARCH 2017 RM '000**
Current period provision		
Tax expense	9,873	38,377

The effective tax rate for the quarter and period ended 31 March 2017 is higher than the statutory tax rate mainly due to the losses incurred by certain subsidiaries and disallowable expenses.

B6 Profit on Sale of Investment and/or Properties

There were no sale of investment or properties during the quarter and period ended 31 March 2017.

B7 Group Borrowings

	GROUP	
AMOUNT REPAYABLE WITHIN ONE YEAR	**CURRENT QUARTER ENDED 31 MARCH 2017**	**PRECEDING YEAR ENDED 30 JUNE 2016**
	RM '000	**RM '000**
Bank overdraft-secured	44,487	41,017
-unsecured	1,439	1,312
Bank Term Loans-secured	466,557	67,195
Letter of credit	907	-
Revolving credit-secured	217,359	179,500
	730,749	289,024

	GROUP	
AMOUNT REPAYABLE AFTER ONE YEAR	**CURRENT QUARTER ENDED 31 MARCH 2017 RM '000**	**PRECEDING YEAR ENDED 30 JUNE 2016 RM '000**
Bank Term Loans-secured	204,061	148,390
Medium term notes	34,387	24,349
Islamic medium term notes	5,335,497	1,715,057
	5,573,945	1,887,796

B8 Material Litigation

Save as disclosed below as at 31 March 2017, neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board are not aware and do not have any knowledge of any proceedings, pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company and its subsidiaries :

A dispute arose between our Company ("**Plaintiff**") and Shapadu Construction Sdn Bhd ("**Shapadu**") or ("**Defendant**") in respect of five (5) packages of sub-contract work under the New North Klang Straits Bypass Highway Project ("**Project**"). The holding company of the Defendant i.e. Lebuhraya Shapadu Sdn Bhd ("**Lebuhraya Shapadu**"), is the employer of the Project.

Our claims against the Defendant are, inter alia, the following:

(i) the sum of RM29,558,720.93 on quantum meruit for loss and damage under the sub-contract; and/or alternatively; and

(ii) the sum of RM7,459,356.15 being the uncertified value of work done and the sum of RM8,217,960.68 being retention monies in respect of work executed and the value of goods and material delivered under the sub-contract.

The Defendant's counter claims against our Company are, *inter alia*, the following:

(i) the sum of RM33,010,000.00 allegedly being the liquidated ascertained damages ("**LAD**") due to the Defendant;

(ii) the sum of RM30,700,000.00 being the LAD due to Lebuhraya Shapadu;

(iii) the sum of RM2,008,868.93 as an indemnity for failure to carry-out and maintain the work;

(iv) the sum of RM22,189,859.75 as an indemnity for the cost of completion;

(v) the sum of RM8,298,455.65 as indemnity for damages suffered by Lebuhraya Shapadu in completing the work; and

(iv) the sum of RM2,006,101.39 as an indemnity for the loss and expense suffered by Lebuhraya Shapadu.

On 1 August 2000, we issued a notice to arbitrate and the hearing of the arbitration commenced on 14 August 2006. Both the Plaintiff and Defendant have closed their cases and the hearing for the arbitration was adjourned to a date to be fixed. The arbitration proceeding is kept in abeyance pending settlement of the dispute.. As at the LPD, the parties have yet to finalise a settlement proposal.

Our Directors are of the opinion that the financial impact on our Group is minimal since we had sub-contracted all the relevant work to a third party on a “back-to-back” basis, and the third party sub-contractor has agreed to indemnify us against any losses or damages that we may suffer in the event Shapadu’s counter claim is allowed by the court.

Further, we had sought legal advice in respect of the counter claim made by Shapadu and our solicitors are of the opinion that we have a reasonable prospect of defending the claim particularly when the employer has not taken action against the Defendant since most of the claims are on indemnity basis. On that premises, this dispute with Shapadu is not envisaged to have any material adverse impact on the financial position of our Group.

B9 Dividend

No interim dividend has been declared for the quarter ended 31 March 2017 except for the Proposed Special Dividend. The Proposed Special Dividend distribution represents a cash dividend of RM0.25 per share. The Proposed Dividend has been paid on 8 March 2017 amounting to RM213.92 million. (Please refer to Note B13)

B10 Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31 March 2017 RM '000	Preceding year corresponding quarter 31 March 2016 RM '000	9 months to 31 March 2017 RM '000	9 months to 31 March 2016 RM '000
(a) Basic earnings per share				
Net profit attributable to ordinary shareholders	11,058	11,081	92,185	20,267
Weighted average number of ordinary share issue ('000)	2,139,203	2,138,620*	2,139,203	2,138,620*
Basic earnings per ordinary share (sen)	0.52	0.52	4.31	0.95
(b) Diluted earnings per ordinary Share (sen)	0.52	0.52	4.31	0.95

Remarks * : The weighted average number of ordinary shares have been adjusted to reflect the completion of the Proposed Share Split. (Please refer to Note B13)

B11 Notes to the Statement of Profit or Loss and Other Comprehensive Income

	Current quarter ended 31 March 2017 RM '000	9 months ended 31 March 2017 RM '000
Profit before tax is stated after charging / (crediting) :		
Interest income	1,831	2,879
Other income including investment income	1,018	3,418
Interest expense	31,533	96,462
Depreciation and amortization	6,058	15,480
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted or unquoted investment or properties		
Impairment of assets	-	-
Foreign exchange gain or loss	-	-
Gain or loss on derivatives	-	-

B12 Realised and Unrealised Retained Earnings

The retained earnings as at 31 March 2017 are analysed as follows:

	As at 31 March 2017 RM '000	As at 30 June 2016 RM '000
Realised	802,169	222,665
Unrealised	176,162	176,162
Total retained earnings	978,331	398,827

B13 Corporate Exercises

The Board of Directors of Ekovest Berhad ("**Board**"), had on 19 August 2016, announced that Company had received an expression of interest letter ("**EOI**") from the Employees Provident Fund Board ("**EPF**") expressing its interest to enter into an exclusive negotiation with the Company on the proposed disposal of 40% equity interest held in Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd ("**Kesturi**") to EPF. The parties shall endeavour to finalise the terms and conditions in relation to the proposed disposal of 40% equity interest held in Kesturi to EPF within twenty-one (21) market days from the acceptance of the EOI or such other extended date to be mutually agreed.

On 21 September 2016, it was announced that our wholly-owned subsidiary, Nuzen Corporation Sdn Bhd (**Nuzen**) had entered into a binding term sheet with EPF to dispose a 40% equity interest held in Kesturi to EPF.

On 8 November 2016, on behalf of the Board of Directors of Ekovest ("**Board**"), CIMB Investment Bank Berhad ("**CIMB**"), Astramina Advisory Sdn Bhd ("**Astramina**") and AmInvestment Bank Berhad ("**AmInvestment**") announced that Nuzen had entered into a conditional share sale agreement ("**SSA**") with EPF for the disposal of:

(i) 3,440,400 ordinary shares of RM1.00 each in Kesturi, a wholly-owned subsidiary of Nuzen; and

(ii) 18,000,000 redeemable preference shares of RM1.00 each in Kesturi,

which represents 40% of the issued and paid-up share capital of Kesturi, for a total cash consideration of RM1,130.0 million, subject to the terms and conditions contained in the SSA ("**Disposal**").

In addition to the above, we had also announced that the Company proposes to undertake the following:

(i) proposed share split involving the subdivision of every two (2) existing ordinary shares of RM0.50 each into five (5) ordinary shares of RM0.20 each in Ekovest held on an entitlement date to be determined and announced later ("**Share Split**"); and

(ii) proposed amendments to the Company's Memorandum and Articles of Association to facilitate the implementation of the Share Split ("**Amendments**").

On 18 November 2016, it was announced that the applications relating to the Share Split have been submitted to Bursa Malaysia Securities Berhad ("**Bursa Securities**") and on 22 December 2016 announced that Bursa Securities resolved to approve the Share Split and listing of and quotation for up to 183,310,470 additional warrants arising from the adjustments to be made pursuant to the Share Split and up to 183,310,470 subdivided shares to be issued arising from the exercise of additional warrants, on the Main Market of Bursa Securities.

On 19 January 2017, the shareholders of the Company have approved the resolutions in respect of the Disposal, Share Split and Amendments.

On 24 January 2017, the Board, CIMB, Astramina and AmInvestment announced that the SSA has become unconditional in accordance with the terms contained therein.

The Disposal has been completed on 13 February 2017 and in accordance with the terms of the SSA, Nuzen and EPF have entered into the Shareholders' Agreement on 13 February 2017.

Other than the above, there is no corporate proposals announced but not completed as at the date of this quarterly report.

The status of utilisation of proceeds raised from the Proposed Disposal which was completed on 13 February 2017 are as follows:

Purpose	**Gross Proceeds (RM '000)**	**Actual Utilisation (RM '000)**	**Balance (RM '000)**	**Deviation (RM '000)**	**Intended Timeframe for Utilisation**
Repayment of borrowings	400,000	268,000	132,000	Nil	Within 6 months
Distribution to shareholders of Ekovest *(Note1)*	Between 213,862 and 244,414	213,920	Nil	Nil	Within 6 months
Exit Payment	149,000	Nil	149,000	Nil	*(Note 2)*
General corporate and working capital	Between 325,168 and 355,720	205,628	150,034 *(Note 3)*	Nil	Within 24 months
Estimated expenses for the Proposal	11,418	9,356	2,062	Nil	Within 6 months
	1,130,000	696,904	433,096		

Remarks :
The total cash consideration for this Proposed Disposal is RM1,130.0 million, which is payable in the following manner :
(a) On the completion date, EPF shall pay to Nuzen the completion sum of RM921.0 million; and
(b) Within 7 Business Days following the receipt by Nuzen of a copy of the CPC for Duke Phase-2, EPF shall pay to Nuzen the CPC payment of RM209.0 million, of which the Exit Payment of RM149.0 million is to be deposited into the Designated Accounts and Nuzen shall retain the Exit Payment and all Accrued Income.

Note (1) : The Proposed Distribution represents a cash dividend of RM0.25 per share. The Proposed Dividend has been paid on 8 March 2017 amounting to RM213.92 million. The actual amount paid to the shareholders of the Company is based on the Company's shares outstanding as the entitlement date.

Note (2) : Nuzen is entitled to the full legal and beneficial rights and title to the Exit Payment amounting to RM149.0 million and the Accrued Income but is obligated to retain the Exit Payment and the Accrued Income in the Designated Account. As at todate, Nuzen has not receive the CPC Payment which includes the Exit Payment. Amount received todate is RM921.0 million only.

Note (3) : The gross proceeds for the general corporate and working capital includes part of the CPC payment of RM60.0 million which Nuzen has not received yet.

In addition, on 17 January 2017, Ekovest announced that its subsidiary, Lebuhraya DUKE Fasa 2A Sdn Bhd ("**LDF2A**"), had received a letter from the Government on the principle approval of the proposed privatisation of the Kampung Baru Link, Istana Link and Kapar Link Expressway ("**Proposed Project**").

With a total length of approximately 75.2 kilometres, the Proposed Project is expected to provide vital connectivity and direct linkage for movement in and around Kuala Lumpur City Center and completes the missing link for seamless travelling in and out of Greater Kuala Lumpur and Klang Valley.

The estimated total project cost of RM6.32 billion (excluding Goods & Services Tax) for the Proposed Project is expected to be financed via a combination of internally generated funds, borrowings and/or other fund raising exercise.

The Proposed Project is subject to further terms and conditions to be negotiated between the Government and LDF2A and the principle approval by the Government shall not in any way be considered as binding upon the Government until the execution of the relevant agreement between the Government and LDF2A.

Ekovest will make the appropriate announcement to Bursa Securities as and when there is a material development in relation to the Proposed Project.