



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

Notes to the Interim Financial Report (3rd Quarter - 31 March 2016)

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 2015.

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 2015.

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.



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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 save and except as follows:

Pursuant to the announcement made on 29 January 2014, EkoVest had completed the listing and quotation of 244,413,960 new EkoVest shares of RM0.50 each together with 122,206,980 free detachable warrants on 30 June 2014.

A7 Dividend

The shareholders have on 18 December 2015 approved the payment of a first and final single tier dividend of 2 sen per ordinary share of RM0.50 each amounting to RM17,108,977 for the financial year ended 30 June 2015. The said dividend was paid on 17 March 2016 to members whose name appeared in the Record of Depositors on 29 February 2016.

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 2016

	Construction	Investment holding	Property development	Toll operation	Inter-Segment Elimination	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue	432,322	1,258	20,791	93,233	(45,094)	502,510
Operating profit	44,852	(427)	782	74,689	(15,682)	104,214
Interest Income						2,666
Interest Expense						(75,080)
Profit before tax						31,800



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9 Months Ended 31 March 2015

	Construction	Investment holding	Property development	Toll operation	Inter-Segment Elimination	Total
	RM '000	RM '000	RM '000	RM '000	RM '000	RM '000
Revenue	243,809	1,822	56,638	69,104	(52,372)	319,001
Operating profit	36,818	(1,668)	18,656	57,078	(21,668)	89,216
Interest Income						3,294
Interest Expense						(78,262)
Profit before tax						14,249

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 2016.

A11 Changes in Composition of the Group

There were no other changes in the composition of the Company or the Group for the quarter and period ended 31 March 2016 under review.

A12 Contingent Liabilities

There have been no contingent liabilities subsequent to the quarter and period ended 31 March 2016.

A13 Capital Commitments

Capital commitments of the Group as 31 March 2016 are as follows -

	RM '000
Capital expenditure in respect of :	
- purchase of properties, approved and contracted for	13,271
- concession assets, approved and contracted for	382,934



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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 2016 RM '000
With company in which certain Directors of the Company, have interests:	
Astana Setia Sdn Bhd	983
Knusford Marketing Sdn Bhd	22,502
Teras Hijaujaya Sdn Bhd	8,217



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Notes to the Interim Financial Report (3rd Quarter - 31 March 2016)

B1 Review of Performance for the Period

For the quarter and period ended 31 March 2016, the Group recorded a revenue of RM502.51 million with a profit before tax of RM31.8 million as compared to a revenue of RM319.00 million and a profit before tax of RM14.25 million for the preceding year corresponding period. The increase in the revenue and profit before tax for the reporting period was mainly due to higher revenue contribution from the construction segment and an improved revenue in the toll operation.

B2 Review of Performance for the Quarter

The Group reported a profit before taxation of RM16.54 million from a revenue of RM184.77 million as compared to the previous quarter of RM10.12 million profit before tax from a revenue of RM183.57 million. The increase in the profit before tax for the reporting quarter despite only a slight increase in the revenue is mainly due to recognition of additional toll revenue upon receipt of the compensation from the government.

B3 Prospects

The Board expects the construction of the RM1.18 billion DUKE Phase-2, toll revenue and the recognition of unbilled sales from property development activities to contribute to the Group's turnover and profitability in the current financial year.

Barring any unforeseen circumstances, the Board is of the opinion that the Group's performance would remain satisfactory for the remaining period of the financial year ending 30 June 2016.

B4 Forecast/Profit Guarantee

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

B5 Taxation

	CURRENT QUARTER ENDED 31 MARCH 2016 RM '000	GROUP 9 MONTHS ENDED 31 MARCH 2016 RM '000
Current period provision:-		
- Tax expense	7,686	13,412
- Overestimation in prior year	(2,742)	(2,742)
	4,944	10,670

The effective tax rate for the quarter and period ended 31 March 2016 is higher than the statutory tax rate mainly due to the losses incurred by certain subsidiaries and disallowable expenses.



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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 2016.

B7 Group Borrowings

AMOUNT REPAYABLE WITHIN ONE YEAR	GROUP	
	CURRENT QUARTER ENDED 31 MARCH 2016 RM '000	PRECEDING YEAR ENDED 30 JUNE 2015 RM '000
Bank overdraft-secured	21,087	48,237
-unsecured	1,282	1,292
Bank Term Loans-secured	54,845	92,456
Revolving credit-unsecured	167,000	167,000
	<u>244,214</u>	<u>308,985</u>

AMOUNT REPAYABLE AFTER ONE YEAR	GROUP	
	CURRENT QUARTER ENDED 31 MARCH 2016 RM '000	PRECEDING YEAR ENDED 30 JUNE 2015 RM '000
Bank Term Loans-secured	136,045	136,810
Islamic medium term notes	1,719,772	1,685,359
	<u>1,855,817</u>	<u>1,822,169</u>



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B8 Material Litigation

Save as disclosed below as at 31 March 2016, 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.



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B8 Material Litigation (Cont'd)

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 2016.

B10 Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year	Preceding	9 months to	9 months to
	quarter	year	9 months to	9 months to
	31 March 2016	31 March 2015	31 March 2016	31 March 2015
	RM '000	RM '000	RM '000	RM '000
(a) Basic earnings per share				
Net profit attributable to ordinary shareholders	11,081	5,197	20,267	9,843
Weighted average number of ordinary share issue ('000)	855,448	855,448	855,448	855,448
Basic earnings per ordinary share (sen)	1.30	0.61	2.37	1.15
(b) Diluted earnings per ordinary Share (sen)	1.30	0.57	2.37	1.08



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

	Current quarter ended 31 March 2016 RM '000	9 months ended 31 March 2016 RM '000
Profit before tax is stated after charging / (crediting) :		
Interest income	523	2,666
Other income including investment income	1,184	2,450
Interest expense	26,252	75,080
Depreciation and amortization	2,960	7,647
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 2016 are analysed as follows:

	As at 31 March 2016 RM '000	As at 30 June 2015 RM '000
Realised	214,142	210,984
Unrealised	53,148	53,148
Total retained earnings	<u>267,290</u>	<u>264,132</u>



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B13 Additional Information

EkoVest Berhad had on 15 January 2015, announced that its wholly-owned subsidiary, Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd ("**Kesturi**"), has received a letter from the Public Private Partnership Unit, Prime Minister's Department approving in-principle the Proposed Privatisation of the Setiawangsa – Pantai Expressway (formerly known as the DUKE Phase-3) ("**SPE**").

The alignment of the SPE (formerly known as the DUKE Phase-3), measuring approximately 35 kilometres, will traverse north to south of Kuala Lumpur and will serve areas such as University Tunku Abdul Rahman, Wangsa Maju, Setiawangsa, Ampang, the Tun Razak Exchange & Bandar Malaysia development corridor and Kerinchi. SPE (formerly known as the DUKE Phase-3) is expected to provide an alternative route for road users with improved and more efficient traffic dispersal system in and around Kuala Lumpur city centre to complement and relief peak hour congestion on existing arterial roads and expressways along its proposed alignment. The SPE (formerly known as the DUKE Phase-3) is also expected to improve connectivity with existing expressways and public rail transportation system such as the KTM Komuter, LRT and MRT lines and providing a holistic land transport system to support the development and modernisation of Greater Kuala Lumpur.

The Board of Directors of EkoVest Berhad had on 11 January 2016, announced that its wholly-owned subsidiary, Lebuhraya DUKE Fasa 3 Sdn Bhd, a special purpose vehicle incorporated to undertake the the SPE (formerly known as the DUKE Phase-3), had entered into a concession agreement with the Government of Malaysia in relation to the design, construction, completion, operation, management and maintenance of the SPE (formerly known as the DUKE Phase-3).

In addition, EkoVest Berhad had on 5 February 2016 announced that it had entered into a share sale agreement ("**SSA**") with Malaysian Resources Corporation Berhad ("**MRCB**") for the acquisition of:-

- (i) 40,000 ordinary shares of RM1.00 each in EkoVest-MRCB JV Sdn Bhd ("**JV1**");
- (ii) 2,160,000 redeemable preference shares of RM0.01 each in JV1; and
- (iii) 800,000 ordinary shares of RM1.00 each in EkoVest-MRCB Construction Sdn Bhd ("**JV2**");

representing the remaining 40% equity interest in JV1 and JV2 not held by EkoVest Berhad, for a total cash purchase consideration of RM8.5 million ("**Acquisition**").

The Acquisition has been completed on 29 April 2016.