



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 (4th Quarter - 30 June 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.

A4 Unusual Items

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



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

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 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 appear 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.

Year Ended 30 June 2016

| | Construction RM '000 | Investment holding RM '000 | Property development RM '000 | Toll operations RM '000 | Total RM '000 |
|-------------------|---------------------------------|---|---|--|--------------------------|
| Revenue | 618,925 | 1,310 | 50,340 | 123,007 | 793,582 |
| Operating profit | 46,365 | 120,618 | 10,706 | 104,407 | 282,096 |
| Interest Income | | | | | 3,251 |
| Interest Expense | | | | | (94,785) |
| Profit before tax | | | | | 190,562 |



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

A8 Segmental Reporting (Cont'd)

Year Ended 30 June 2015

| | Construction RM '000 | Investment holding RM '000 | Property development RM '000 | Toll operations RM '000 | Total RM '000 |
|-------------------|-------------------------|----------------------------------|------------------------------------|-------------------------------|------------------|
| Revenue | 284,274 | 2,159 | 58,159 | 93,423 | 438,015 |
| Operating profit | 24,331 | 3,723 | 14,910 | 75,162 | 118,126 |
| Interest Income | | | | | 4,900 |
| Interest Expense | | | | | (91,260) |
| Profit before tax | | | | | 31,766 |

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

Except as disclosed below, there have been no material event subsequent to the quarter and year ended 30 June 2016.

Lebuhraya DUKE Fasa 3 Sdn Bhd ("LDF3"), a wholly-owned subsidiary of EkoVest Berhad, had made a lodgement to the Securities Commission Malaysia (the "SC") for the launch of a Sukuk of up to RM3.64 billion in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar ("**Sukuk Wakalah**") under the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.

The Sukuk Wakalah has been assigned a rating of AA-_{IS} by Malaysian Rating Corporation Berhad ("**MARC**") and shall have tenures of up to twenty three (23) years from the date of issuance. The proceeds from the Sukuk Wakalah shall be utilised by LDF3 for the following Shariah-compliant purposes:-

1. Part-finance all costs associated with the development, design and construction of the Setiawangsa-Pantai Expressway ("**SPE**") (formerly known as the DUKE Phase-3) pursuant to the concession agreement entered into with the Government of Malaysia dated 11 January 2016;
2. Profit payments under the Sukuk Wakalah and other amounts due and payable in relation to the Sukuk Wakalah during the construction period of the SPE (formerly known as the DUKE Phase-3);
3. Deposits into the finance service reserve account;
4. Payment of fees and expenses in relation to the Sukuk Wakalah; and



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

A10 Material Subsequent Event (Cont'd)

5. The balance, if any, shall be utilised to meet the Shariah-compliant general working capital requirements of LDF3.

As part of the conditions of the Sukuk Wakalah, EkoVest Berhad as the ultimate shareholder of LDF3, has provided an undertaking to cover any costs overruns and/or the financing costs incurred during the period of delay in the construction of the SPE (formerly known as the DUKE Phase-3), by depositing funds into a designated account and/or by procuring one or more irrevocable and unconditional standby letter(s) of credit and/or bank guarantee(s) equivalent to RM184.5 million within eighteen (18) months from the issuance date. Funds in the designated account will be utilised to meet any cost overruns and to meet financing costs in the event of delays in the completion of the SPE. Any balance remaining in the designated account after the construction completion date shall be remitted to EkoVest Berhad.

The issuance of the Sukuk Wakalah had been completed on 23 August 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 year ended 30 June 2016 under review save and except as follows :

EkoVest Berhad had on 5 February 2016 announced that it had entered into a share sale agreement with Malaysian Resources Corporation Berhad for the acquisition of :

- (i) 40,000 ordinary shares of RM1.00 each in EkoVest KL Bund Sdn Bhd (formerly know as 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 Ekoriver Construction Sdn Bhd (formerly known as 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.

The Acquisition has been completed on 29 April 2016, both the companies are now wholly-owned subsidiaries of EkoVest Berhad.

A12 Contingent Liabilities

There have been no contingent liabilities subsequent to the quarter and year ended 30 June 2016.



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

A13 Capital Commitments

Capital commitments of the Group as 30 June 2016 are as follows -

| | RM '000 |
|---|----------------|
| Capital expenditure in respect of : | |
| - purchase of properties, approved and contracted for | 11,089 |
| - concession assets, approved and contracted for | <u>269,416</u> |

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 30 June 2016 RM '000 |
|--|----------------------------------|
| With company in which certain Directors of the Company, have interests: | |
| Astana Setia Sdn Bhd | 5,330 |
| Knusford Marketing Sdn Bhd | 26,429 |
| Teras Hijaujaya Sdn Bhd | 8,888 |



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 (4th Quarter - 30 June 2016)

B1 Review of Performance for the Year

For the financial year ended 30 June 2016, the Group recorded a revenue of RM793.58 million with a profit before tax of RM190.56 million as compared to a revenue of RM438.02 million and a profit before tax of RM31.77 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 for DUKE Phase-2 and also an improved revenue in the toll operation. Other than the above, there was an increase in the other income relating to the fair value adjustment for investment properties of RM113.00 million net of deferred tax during the year.

B2 Review of Performance for the Quarter

The Group reported a profit before taxation of RM158.76 million from a revenue of RM291.07 million as compared to the previous quarter of RM16.54 million profit before tax from a revenue of RM184.77 million. The improve profit before tax for the reporting quarter is substantially due to higher revenue in the construction activities of Duke Phase-2 project. Other than the above, there was an increase in the other income relating to the fair value adjustment for investment properties of RM113.00 million net of deferred tax during the quarter.

B3 Prospects

The Board expects the ongoing construction of the 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 coming financial year. Further, the recently awarded master contract for the Setiawangsa-Pantai Expressway (SPE) (formally known as the Duke Phase-3) amounting to RM3.96 million (inclusive of 6% GST) to EkoVest Berhad, will also contribute to the Group's turnover and profitability during the three and half year (3 ½ year) construction period.

Barring any unforeseen circumstances, the Board is of the view that the Group's performance would remain satisfactory in the coming financial year.

B4 Forecast/Profit Guarantee

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



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

B5 Taxation

| | GROUP | |
|-------------------------------------|---|---|
| | CURRENT QUARTER ENDED 30 June 2016 RM '000 | 12 MONTHS ENDED 30 June 2016 RM '000 |
| <u>Current tax expense</u> | | |
| - Current | 5,936 | 19,348 |
| - Overestimation in prior year | 509 | (2,233) |
| | 6,445 | 17,115 |
| <u>Deferred tax expense</u> | | |
| - relating to temporary differences | 14,221 | 14,221 |
| - underestimation in prior year | 2,592 | 2,592 |
| | 16,813 | 16,813 |
| | 23,258 | 33,928 |

The effective tax rate for the quarter and year ended 30 June 2016 is lower than the statutory tax rate mainly due to fair value gain on investment properties that is subject to 5% deferred tax rate but not taxable at statutory tax rate of 24%.

B6 Profit on Sale of Investment and/or Properties

There were no sale of investment or properties during the quarter and period ended 30 June 2016.

B7 Group Borrowings

| | GROUP | |
|-------------------------------------|--|--|
| AMOUNT REPAYABLE WITHIN ONE YEAR | CURRENT YEAR ENDED 30 JUNE 2016 RM '000 | PRECEDING YEAR ENDED 30 JUNE 2015 RM '000 |
| Bank overdraft-secured | 41,017 | 48,237 |
| -unsecured | 1,312 | 1,292 |
| Bank Term Loans-secured | 67,195 | 92,456 |
| Revolving credit-secured | 179,500 | 167,000 |
| | 289,024 | 308,985 |



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

B7 Group Borrowings (Cont'd)

| AMOUNT REPAYABLE AFTER ONE YEAR | GROUP | |
|------------------------------------|---|--|
| | CURRENT QUARTER ENDED 30 JUNE 2016 RM '000 | PRECEDING YEAR ENDED 30 JUNE 2015 RM '000 |
| Bank Term Loans-secured | 148,390 | 136,810 |
| Islamic medium term notes | 1,739,405 | 1,685,359 |
| | <u>1,887,795</u> | <u>1,822,169</u> |

B8 Material Litigation

Save as disclosed below as at 30 June 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.



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

B8 Material Litigation (Cont'd)

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

The Directors have proposed, subject to shareholders’ approval in the forth coming annual general meeting to be convened and consent from the lenders, where applicable, a first and final single tier dividend of 3 sen per share. The date for the payment of dividend shall be announced in due course.



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

B10 Earnings Per Share

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|--------------------|--------------|--------------------|--------------|
| | Current year | Preceding | 12 months to | 12 months to |
| | quarter | year | 12 months to | 12 months to |
| | 30 June 2016 | 30 June 2015 | 30 June 2016 | 30 June 2015 |
| | RM '000 | RM '000 | RM '000 | RM '000 |
| (a) Basic earnings per share | | | | |
| Net profit attributable to ordinary shareholders | 136,173 | 8,669 | 156,440 | 18,512 |
| Weighted average number of ordinary share issue ('000) | 855,448 | 855,448 | 855,448 | 855,448 |
| Basic earnings per ordinary share (sen) | 15.92 | 1.01 | 18.29 | 2.16 |
| (b) Diluted earnings per ordinary Share (sen) | 15.92 | 1.01 | 18.29 | 2.16 |

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

| | Current quarter ended 30 June 2016 RM '000 | 12 months ended 30 June 2016 RM '000 |
|---|---|---|
| Profit before tax is stated after charging / (crediting) : | | |
| Interest income | (585) | (3,251) |
| Fair value gain on investment properties | (122,536) | (122,536) |
| Other income including investment income | (3,009) | (5,459) |
| Interest expense | 19,705 | 94,785 |
| Depreciation and amortization | 7,365 | 15,012 |
| Provision for and write off of receivables | 711 | 711 |
| 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 | - | - |



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

B12 Realised and Unrealised Retained Earnings

The retained earnings as at 30 June 2016 are analysed as follows:

| | As at 30 June 2016 RM '000 | As at 30 June 2015 RM '000 |
|-------------------------|----------------------------------|----------------------------------|
| Realised | 224,171 | 210,984 |
| Unrealised | 175,684 | 53,148 |
| Total retained earnings | <u>399,855</u> | <u>264,132</u> |

B13 Additional Information

EkoVest Berhad ("**Ekovest**" or the "**Company**") 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 ("**SPE**").

The alignment of the SPE, 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 had on 11 January 2016, announced that its wholly-owned subsidiary, Lebuhraya DUKE Fasa 3 Sdn Bhd ("**LDF3**"), a special purpose vehicle incorporated to undertake the SPE, had entered into a concession agreement with the Government of Malaysia ("**Government**") in relation to the design, construction, completion, operation, management and maintenance of the SPE ("**Concession Agreement**"). LDF3, had on 5 August 2016, received a letter from the Government for the fulfillment of the conditions precedent as stipulated in the Concession Agreement and as such, the effective date of the Concession Agreement is on 5 August 2016.

On 18 July 2016, EkoVest has announced that its wholly-owned subsidiary, LDF3, had made a lodgement to the Securities Commission Malaysia (the "**SC**") for the launch of a Sukuk of up to RM3.64 billion in nominal value under the Shariah principle of Wakalah Bi Al-Istithmar ("**Sukuk Wakalah**") under the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework.



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

B13 Additional Information (Cont'd)

The Sukuk Wakalah has been assigned a rating of AA-*IS* by Malaysian Rating Corporation Berhad (“**MARC**”) and shall have tenures of up to twenty three (23) years from the date of issuance. The proceeds from the Sukuk Wakalah shall be utilised by LDF3 for the following Shariah-compliant purposes:-

1. Part-finance all costs associated with the development, design and construction of the SPE (formerly known as the DUKE Phase-3) pursuant to the Concession Agreement;
2. Profit payments under the Sukuk Wakalah and other amounts due and payable in relation to the Sukuk Wakalah during the construction period of the SPE;
3. Deposits into the finance service reserve account;
4. Payment of fees and expenses in relation to the Sukuk Wakalah; and
5. The balance, if any, shall be utilised to meet the Shariah-compliant general working capital requirements of LDF3.

As part of the conditions of the Sukuk Wakalah, Ekovest as the ultimate shareholder of LDF3, has provided an undertaking to cover any costs overruns and/or the financing costs incurred during the period of delay in the construction of the SPE, by depositing funds into a designated account and/or by procuring one or more irrevocable and unconditional standby letter(s) of credit and/or bank guarantee(s) equivalent to RM184.5 million within eighteen (18) months from the issuance date. Funds in the designated account will be utilised to meet any cost overruns and to meet financing costs in the event of delays in the completion of the SPE. Any balance remaining in the designated account after the construction completion date shall be remitted to Ekovest.

The issuance of the Sukuk Wakalah had been completed on 23 August 2016.

In addition, the Board of Directors of Ekovest, 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 Kesturi to EPF (“**Proposed Disposal**”). The parties shall endeavour to finalise the terms and conditions in relation to the Proposed Disposal within twenty-one (21) market days from the acceptance of the EOI or such other extended date to be mutually agreed. Further announcement on the Proposed Disposal will be made in due course.