



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

Notes to the Interim Financial Report (1st Quarter - 30 September 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 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.



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

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 will be 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.

3 Months Ended 30 September 2016

	Construction RM '000	Investment holding RM '000	Property development RM '000	Toll operations RM '000	Total RM '000
Revenue	155,311	282	18,429	29,524	203,546
Operating profit	57,532	69	5,594	19,270	82,465
Interest Income					232
Interest Expense					(28,516)
Profit before tax					54,181



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

3 Months Ended 30 September 2015

	Construction RM '000	Investment holding RM '000	Property development RM '000	Toll operations RM '000	Total RM '000
Revenue	102,882	564	6,086	24,646	134,178
Operating profit	9,177	298	112	18,745	28,332
Interest Income					1,161
Interest Expense					(24,348)
Profit before tax					<u>5,145</u>

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 30 September 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 30 September 2016 under review.

A12 Contingent Liabilities

There have been no contingent liabilities subsequent to the quarter and period ended 30 September 2016.

A13 Capital Commitments

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

	RM '000
Capital expenditure in respect of :	
- purchase of properties, approved and contracted for	9,768
- concession assets, approved and contracted for	<u>3,940,255</u>



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

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 September 2016 RM '000
With company in which certain Directors of the Company, have interests:	
Wengcon Marketing Sdn Bhd	3,117
Astana Setia Sdn Bhd	9,237



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

Notes to the Interim Financial Report (1st Quarter - 30 September 2016)

B1 Review of Performance for the Period

For the quarter and period ended 30 September 2016, the Group recorded a revenue of RM203.55 million with a profit before tax of RM54.18 million as compared to a revenue of RM134.18 million and a profit before tax of RM5.15 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 the commencement of preliminary and enabling work for Setiawangsa-Pantai Expressway (SPE).

B2 Review of Performance for the Quarter

The Group reported a profit before taxation of RM54.18 million from a revenue of RM203.55 million as compared to the previous quarter of RM158.76 million profit before tax from a revenue of RM291.07 million.

In the previous quarter, the profit before tax of RM158.76 million included a recognition of other income relating to the fair value adjustment for investment properties of RM123.01 million. Excluding the increase in the other income, the profit before tax in the previous quarter would be RM35.75 million as compared to this reporting quarter of RM54.18 million. Despite a decrease in the revenue, the profit before tax for the reporting quarter for the Group is higher mainly due to the commencement of preliminary and enabling work for SPE.

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 current 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 billion to EkoVest Berhad, is expected to contribute to the Group's turnover and profitability over the three and half year (3 ½ year) construction period.

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.



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 SEPTEMBER 2016 RM '000	3 MONTHS ENDED 30 SEPTEMBER 2016 RM '000
Current period provision		
Tax expense	14,087	14,087

The effective tax rate for the quarter and period ended 30 September 2016 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 30 September 2016.

B7 Group Borrowings

	GROUP	
AMOUNT REPAYABLE WITHIN ONE YEAR	CURRENT QUARTER ENDED 30 SEPTEMBER 2016 RM '000	PRECEDING YEAR ENDED 30 JUNE 2016 RM '000
Bank overdraft-secured	50,512	41,017
-unsecured	1,332	1,312
Bank Term Loans-secured	759,112	67,195
Letter of credit	634	-
Revolving credit-secured	229,500	179,500
	1,041,090	289,024

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

GROUP		
AMOUNT REPAYABLE AFTER ONE YEAR	CURRENT QUARTER ENDED 30 SEPTEMBER 2016 RM '000	PRECEDING YEAR ENDED 30 JUNE 2016 RM '000
Bank Term Loans-secured	168,045	148,390
Medium term notes	29,008	24,349
Islamic medium term notes	5,325,020	1,715,057
	5,522,073	1,887,796

B8 Material Litigation

Save as disclosed below as at 30 September 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;



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

- (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 30 September 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

B10 Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30 September 2016 RM '000	Preceding year corresponding quarter 30 September 2015 RM '000	3 months to 30 September 2016 RM '000	3 months to 30 September 2015 RM '000
(a) Basic earnings per share				
Net profit attributable to ordinary shareholders	40,096	2,998	40,096	2,998
Weighted average number of ordinary share issue ('000)	855,448	855,448	855,448	855,448
Basic earnings per ordinary share (sen)	4.69	0.35	4.69	0.35
(b) Diluted earnings per ordinary Share (sen)	4.69	0.35	4.69	0.35

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

	Current quarter ended 30 September 2016 RM '000	3 months ended 30 September 2016 RM '000
Profit before tax is stated after charging / (crediting) :		
Interest income	232	232
Other income including investment income	648	648
Interest expense	28,516	28,516
Depreciation and amortization	4,601	4,601
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	-	-



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 September 2016 are analysed as follows:

	As at 30 September 2016 RM '000	As at 30 June 2016 RM '000
Realised	262,761	222,665
Unrealised	176,162	176,162
Total retained earnings	<u>438,923</u>	<u>398,827</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 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 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 ("**Board**") 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.

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:-



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

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, 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. 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 AmlInvestment Bank Berhad ("**AmlInvestment**") 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 ("**Proposed 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 ("**Proposed Share Split**"); 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**

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

On 18 November 2016, on behalf of the Board, CIMB, Astramina and AmInvestment announced that the applications relating to the Proposed Share Split have been submitted to Bursa Securities.

Further announcement on the Proposed Disposal, Proposed Share Split and Proposed Amendments will be made in due course.