



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 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:

<u>Cumulative traffic volume to-date</u>	X	Carrying amount of concession assets at beginning of the year
Projected total traffic volume for the entire concession period		+ 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.



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

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.

Year Ended 30 June 2017

	Construction RM '000	Investment holding RM '000	Property development RM '000	Toll operations RM '000	Total RM '000
Revenue	820,499	840	103,409	163,961	1,088,709
Operating profit	206,547	775	14,087	106,106	327,515
Interest Income					8,953
Interest Expense					(132,126)
Share Option Expense					(22,622)
Profit before tax					181,720



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

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	121,007	10,706	104,407	282,485
Interest Income					3,251
Interest Expense					(94,785)
Profit before tax					190,951

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 year ended 30 June 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 and year ended 30 June 2017.

A12 Contingent Liabilities

There have been no contingent liabilities subsequent to the quarter and year ended 30 June 2017.



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 2017 are as follows -

	RM '000
Capital expenditure in respect of :	
- purchase of properties, approved and contracted for	19,309
- concession assets, approved and contracted for	<u>3,038,431</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 2017 RM '000
With company in which certain Directors of the Company, have interests:	
Astana Setia Sdn Bhd	7,615
Knusford Marketing Sdn Bhd	14,600
Kran World Sdn Bhd	462
Lim Seong Hai Lighting Sdn Bhd	2,211
Teras Hijaujaya Sdn Bhd	1,319
WCM Power Sdn Bhd	1,480



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 2017)

B1 Review of Performance for the Year

For the financial year ended 30 June 2017, the Group recorded a revenue and profit before tax of RM1,088.71 million and RM181.72 million respectively as compared to a revenue of RM793.58 million and a profit before tax of RM190.95 million for the preceding year corresponding period.

The increase in the revenue for the reporting period was mainly due to the 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. Despite an increase in the revenue, the profit before tax for the reporting period is lower than the preceding year corresponding period due to the recognition of other income relating to the fair value adjustment for investment properties of RM123.0 million in the prior year.

B2 Review of Performance for the Quarter

The Group reported a profit before taxation of RM50.84 million from a revenue of RM318.45 million as compared to the previous quarter of RM21.26 million profit before tax from a revenue of RM291.75 million.

The improve profit before tax for the reporting quarter is due to higher revenue contribution from the construction segment. In the previous quarter, there was an one-off expense amounting to RM22.62 million on fair value adjustment pursuant to the granting of the Employees' Share Option Scheme on 9 March 2017 which resulted in a lower profit before tax.

B3 Prospects

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

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

	CURRENT QUARTER ENDED 30 JUNE 2017 RM '000	GROUP 12 MONTHS ENDED 30 JUNE 2017 RM '000
<u>Current tax expense</u>		
- Current	26,110	64,487
- Underestimation in prior year	2	2
- Real Property Gain Tax	1,912	1,912
	28,024	66,401
<u>Deferred tax expense</u>		
- Relating to temporary differences	4,825	4,825
- Overestimation in prior year	(2,747)	(2,747)
	2,078	2,078
	<u>30,102</u>	<u>68,479</u>

The effective tax rate for the quarter and year ended 30 June 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 year ended 30 June 2017.



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

AMOUNT REPAYABLE WITHIN ONE YEAR	GROUP	
	CURRENT YEAR ENDED 30 JUNE 2017	PRECEDING YEAR ENDED 30 JUNE 2016
	RM '000	RM '000
Bank overdraft-secured	42,347	41,017
-unsecured	1,479	1,312
Bank Term Loans-secured	530,217	67,195
Letter of credit	248	-
Medium term notes	12,128	-
Revolving credit-secured	272,900	179,500
	<u>859,319</u>	<u>289,024</u>

AMOUNT REPAYABLE AFTER ONE YEAR	GROUP	
	CURRENT YEAR ENDED 30 JUNE 2017 RM '000	PRECEDING YEAR ENDED 30 JUNE 2016 RM '000
Bank Term Loans-secured	155,073	148,390
Medium term notes	22,795	24,349
Islamic medium term notes	5,344,352	1,715,057
	<u>5,522,220</u>	<u>1,887,796</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

B8 Material Litigation

Save as disclosed below as at 30 June 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.



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

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 2 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 quarter	Preceding year corresponding quarter	12 months to	12 months to
	30 June 2017 RM '000	30 June 2016 RM '000	30 June 2017 RM '000	30 June 2016 RM '000
(a) Basic earnings per share				
Net profit attributable to ordinary shareholders	18,417	136,173	110,602	155,412
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)	0.86	6.37	5.17	7.27
(b) Diluted earnings per ordinary Share (sen)	0.86	6.37	5.17	7.27

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 30 June 2017 RM '000	12 months ended 30 June 2017 RM '000
Profit before tax is stated after charging / (crediting) :		
Interest income	(6,074)	(8,953)
Fair value gain on investment properties	(1,604)	(1,604)
Other income including investment income	(12,885)	(16,303)
Interest expense	35,664	132,126
Depreciation and amortization	5,270	20,750
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	-	-



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 2017 are analysed as follows:

	As at 30 June 2017 RM '000	As at 30 June 2016 RM '000
Realised	829,287	263,471
Unrealised	186,205	175,684
Total retained earnings	1,015,492	439,155

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 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 ("**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**").



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

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 AmlInvestment 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	400,000	Nil	Nil	Within 6 months
Distribution to shareholders of Ekovest (Note 1)	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
	<u>1,130,000</u>	<u>828,904</u>	<u>301,096</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

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.



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

B14 Correction Of An Error

On 26 June 2014, the Company issued 122,206,980 free detachable warrants (“Warrants”) pursuant to the rights of issue of 244,413,960 new ordinary shares of RM0.50 each in the Company (“EkoVest Shares”) with warrants. Total warrant reserve recognised, using fair value of warrants method, at fair value of RM0.33 for each warrant issued amounted to RM40.328 million. However, the recognised warrant reserve was credited against retained earnings of the Company instead of a reduction in the recognised share premium. As a consequence the retained earnings were understated and share premium was overstated. In 2017, the Company performed review of its equity and discovered the error.

The error has no impact on the statement of financial position, statement of comprehensive income and statement of cash flows. However, certain items in the statement of changes in equity were restated for the prior periods, as follows:

	Share Premium RM'000	Retained Earnings RM'000
2015		
At 1 July 2015, as previously stated	367,806	264,132
Restatement	(40,328)	40,328
At 1 July 2015, as restated	<u>327,478</u>	<u>304,460</u>
2016		
At 30 June 2016, as previously stated	367,806	398,827
Restatement	(40,328)	40,328
At 30 June 2016, as restated	<u>327,478</u>	<u>439,155</u>