

## 1. INTRODUCTION

The Board of Directors of Ekovest ("**Board**") wish to announce that Ekovest Construction Sdn Bhd ("**ECSB**"), a wholly-owned subsidiary of Ekovest, had on 6 January 2017 entered into a joint venture and shareholders agreement with Samling Resources Sdn Bhd ("**SRSB**") to jointly undertake the development and upgrading of the Pan Borneo Highway in the state of Sarawak, Malaysia Phase 1 for work package contract WPC-02 (Semantan to Sg. Moyan Bridge + KSR Interchanges) with a total contract value of RM2,112,800,000 ("**Project**") ("**JVA**").

(ECSB and SRSB are collectively referred to as the "**Parties**")

## 2. INFORMATION ON THE PARTIES

### 2.1 ECSB

ECSB is a wholly owned subsidiary of Ekovest and was incorporated in Malaysia under the Companies Act, 1965 ("**Act**") on 29 October 1992 as a private limited company. The principal activity of ECSB is civil engineering and building works. ECSB has an authorised share capital of RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each of which are fully issued and paid up.

### 2.2 SRSB

SRSB was incorporated in Malaysia under the Companies Act, 1965 ("**Act**") on 8 May 1985 as a private limited company under the name G.I.K Sdn Bhd. SRSB assumed its current name on 23 October 1992. The principal activity of SRSB is in construction and engineering in East Malaysia. SRSB has an authorised share capital of RM50,000,000 comprising 20,000,000 ordinary shares of RM1.00 each ("**SRSB Shares**") and 30,000,000 redeemable preference shares of RM1.00 each ("**SRSB RPS**") of which RM31,050,000 comprising 11,000,000 SRSB Shares and 20,050,000 SRSB RPS are fully issued and paid up.

## 3. DETAILS OF THE JVA

Pursuant to the JVA, a joint venture company, Samling – Ekovest JV Sdn Bhd ("**JV Company**"), will be incorporated as the vehicle for the Parties to undertake the implementation of the Project. Immediately upon the incorporation of the JV Company, SRSB shall sub-contract the Project in its entirety on a back to back basis to the JV Company at the same price at which the Project was awarded to SRSB (with the approval of Lebuhraya Borneo Utara Sdn Bhd if required) in order for the JV Company to carry out the Project as per the JVA.

### 3.1 Shareholdings

Upon the execution of the JVA, the JV Company shall be incorporated and shall have an authorised share capital of RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each ("**JV Shares**") to be allotted to and fully subscribed by the Parties in cash and issued as fully paid up in the agreed proportions as set out below:-

- (i) SRSB to hold seventy percent (70%) of the JV Shares; and
- (ii) ECSB to hold thirty percent (30%) of the JV Shares.

(hereinafter referred to as the "**Agreed Proportions**")

The share capital of the JV Company may be increased upon such terms and conditions and at such times as the board of directors of the JV Company ("**JV Board**") shall decide provided always that the number of JV Shares allotted, from time to time, shall be held by the Parties in accordance with the Agreed Proportions.

### **3.2 Financing**

The working capital required in carrying out the Project shall be determined by the JV Board and that the financial requirements of the JV Company shall be met by way of:-

- (i) subscription for additional shares in the JV Company by the Parties; and/or
- (ii) borrowings from financial institutions by the JV Company; and/or
- (iii) shareholders advances in accordance with the Agreed Proportion at interest rate to be determined by the JV Board.

### **3.3 JV Board**

The number of directors in the JV Company shall be five (5) directors, of which three (3) directors shall be the nominees of SRSB and two (2) directors shall be the nominee of ECSB.

The chairman of the JV Board shall be appointed by the party with the largest shareholding in the JV Company and the chairman shall have no executive powers and no second or casting vote at any proceedings of the JV Company.

All matters at meetings of the JV Board or in general meetings of the JV Company shall be decided by unanimous vote.

### **3.4 Management of the JV Company**

The day-to-day management of the JV Company shall be the responsibility of the Managing Director and the Deputy Managing Director. The limits of authority of the Managing Director shall be determined by the JV Board from time to time and any matter which extends beyond the scope of these limits of authority shall require the prior approval of the JV Board.

The Managing Director shall be one of the nominee directors appointed by SRSB and the Deputy Managing Director shall be one of the nominee directors appointed by ECSB. The Managing Director shall act in accordance with the instructions of the JV Board and subject to the control and supervision of the JV Board.

### **3.5 Dividend Policy**

The JV Company shall adopt a policy of maximum dividend payment subject to financial prudence, availability of tax credits and its estimated financial requirements.

### **3.6 Termination**

The JVA shall come into force on its date of execution by the Parties and shall continue to be in force until determined by written agreement of all the Parties. Upon such termination, the Parties shall be deemed to have agreed to the winding-up of the JV Company.

**4. RATIONALE**

The JVA represents an opportunity of both Parties to co-operate and leverage on the strength and expertise of each other. ECSB has experience, expertise and track record in providing technical expertise and procurement of construction materials and equipment to undertake the Project whilst SRSB has the experience and expertise in providing management in liaison with sub-contractors and the state government in East Malaysia.

The JVA also represents an opportunity for Ekovest to participate in large scale construction projects in East Malaysia.

**5. RISK FACTORS**

The JVA is subject to typical risk attached to any commercial contract which includes breaches or non-performance of joint venture or other obligations under the joint venture.

The Project is subject to normal construction risks in which the Ekovest Group are already exposed to. Nonetheless, the implementation and construction risks will be managed and mitigated with the experience and expertise of the Ekovest Group to complete construction projects.

**6. FINANCIAL EFFECTS**

The JVA will not have any effect on the Company's issued and paid-up share capital and the substantial shareholders' shareholdings. It is also not expected to have any material effect on the net asset, net asset per share, gearing, earnings and earnings per share (“**EPS**”) of the Company for the financial year ending 30 June 2017.

**7. SOURCE OF FUNDING**

The initial subscription of the JV Shares shall be funded via internally generated funds and any future investment or shareholders advances in the JV Company, if required, will be funded through internally generated funds and/or borrowings from financial institution.

**8. PERCENTAGE RATIOS**

The highest percentage ratio applicable pursuant to paragraph 10.02(g) of the Listing Requirements is approximately 0.02%, based on the latest audited consolidated financial statements of the Company for the FYE 30 June 2016.

**9. APPROVALS REQUIRED**

The JVA does not require the approval of the shareholders of Ekovest or any government or regulatory authorities.

**10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

None of the directors and/or major shareholders of the Company and/or any persons connected with them has any interests, direct or indirect, in the JVA.

**EKOVEST BERHAD (“EKOVEST” OR THE “COMPANY”)**

**JOINT VENTURE AND SHAREHOLDERS AGREEMENT BETWEEN EKOVEST CONSTRUCTION SDN BHD AND SAMLING RESOURCES SDN BHD**

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**11. DIRECTORS’ STATEMENT**

The Board having considered all aspects of the JVA (including but not limited to the rationale, risk factors and the effects of the JVA), is of the opinion that the JVA is in the best interest of the Company.

**12. DOCUMENT AVAILABLE FOR INSPECTION**

The JVA will be made available for inspection during normal business hours at the Company’s registered office at Ground Floor, Wisma Ekovest, No. 118 Jalan Gombak, 53000 Kuala Lumpur during normal business hours from Mondays to Fridays (except for public holidays) for a period of 3 months from the date of this announcement.

**This announcement is dated 6 January 2017.**