**EKOVEST BERHAD ("EKOVEST")**

**(I) PROPOSED CASH SUBSCRIPTION OF UP TO RM35 MILLION IN NOMINAL VALUE OF REDEEMABLE SECURED JUNIOR BONDS TO BE ISSUED BY KONSORTIUM LEBUHRAYA UTARA-TIMUR (KL) SDN BHD ("KESTURI") ("PROPOSED JUNIOR BONDS SUBSCRIPTION"); AND**

**(II) PROPOSED EXTENSION ON TENURE OF REDEEMABLE PREFERENCE SHARES SERIES A OF RM1.00 EACH IN KESTURI ("PROPOSED EXTENSION")**

**(COLLECTIVELY THE "PROPOSALS"**)

*(Unless otherwise stated, all abbreviations used herein shall have the same meanings as those mentioned in the announcement dated 23 July 2010.)*

## 1. INTRODUCTION

We refer to the announcement dated 23 July 2010 in relation to the proposed cash subscription by Ekovest of up to RM35 million in nominal value of redeemable secured Junior Sukuk to be issued by Kesturi ("**Proposed Junior Sukuk Subscription**").

On behalf of Ekovest, we wish to announce that the Ekovest Group had today:

(i) entered into a supplemental placement agreement with Kesturi and CIMB ("**Supplemental Agreement**") to replace the Proposed Junior Sukuk Subscription with the Proposed Junior Bonds Subscription; and

(ii) accepted Kesturi's request for the Proposed Extension subject to approval being obtained from the shareholders of Ekovest.

## 2. DETAILS OF THE PROPOSED JUNIOR BONDS SUBSCRIPTION

Pursuant to the Supplemental Agreement, Ekovest will subscribe for up to RM35 million in nominal value of redeemable secured junior bonds to be issued by Kesturi ("**Junior Bonds**"). The Proposed Junior Bonds Subscription will be through CIMB and/or its affiliates who will act as the primary subscribers, upon meeting certain criteria. The issuance of the Junior Bonds and the payment by Ekovest for the Proposed Junior Bonds Subscription, shall be subject to fulfillment of conditions precedent to the satisfaction of CIMB (who is also the Lead Arranger and Lead Manager for the issuance of the Junior Bonds) which include, amongst others, the following:

(i) approval from the SC and, where applicable, all other regulatory authorities for the issuance of the Junior Bonds;

(ii) Juniors Bonds have received the requisite rating of A-;

(ii) confirmation from the trustee of the Existing Sukuk that the Existing Sukuk holders have agreed for Kesturi to redeem the Existing Sukuk at an agreed price; and

(iv) such other conditions precedent as advised by the legal counsel of the Lead Manager.

The Junior Bonds shall have a tenure of 19.5 years from the date of issuance and are secured by a first ranking charge and assignment of the Junior FSRA (as defined in Appendix I) and the credit balances therein. The coupon is calculated at rate of 11.5% per annum and was arrived at on a negotiated basis after taking into consideration the expected market returns of similar debt securities with similar maturity and rating profiles.

Kesturi shall make the coupon payments to the holders of the Junior Bonds on the last day of every six (6)-month period ("**Expected Coupon Payments**"), starting from the issue date of the Junior Bonds, except for the final payment which is due upon maturity of the Junior Bonds ("**Scheduled Coupon Payment Dates**"). For avoidance of doubt, the Expected Coupon Payment or Expected Cumulative Coupon Payment (as defined below) on a relevant Scheduled Coupon Payment Date shall be paid in full or in part provided always that the Senior FSCR (as defined in Appendix I) is at least 1.75 times after such payment ("**Requisite Condition**"), except for the final Expected Coupon Payment or the Expected Cumulative Coupon Payment (as the case may be) which is due upon maturity of the Junior Bonds. Subject to the above, in the event that Kesturi does not make the Expected Coupon Payments or Expected Cumulative Coupon Payments in full due to the Requisite Condition not being met, such payments accrued but not paid shall be cumulated and are payable together with the Expected Coupon Payment due on the next Scheduled Coupon Payment Date ("**Expected Cumulative Coupon Payment**").

Please refer to **Appendix I** for further information on the salient principal terms and conditions of the Junior Bonds.

## 3. DETAILS OF THE PROPOSED EXTENSION

The construction of the DUKE was previously financed via, amongst others, the proceeds from the issuance of RM40 million Kesturi RPS, RM195 million Kesturi RPS A and RM780 million Existing Sukuk. Ekovest Group had previously participated in the financing for the construction of the DUKE via, amongst others, the subscription by Ekovest Construction Sdn Bhd ("**ECSB**"), a wholly-owned subsidiary of Ekovest, of RM136.5 million Kesturi RPS A and ECSB has been holding the investment until today. The Kesturi RPS A shall mature on 19 September 2026, being the expiry of the 20 years period from the first subscription date. The salient terms of the Kesturi RPS A are set out in **Appendix II** for information.

On 15 September 2010, Kesturi had vide a letter to Kesturi RPS A holders ("**Request Letter**"), sought the indulgence to agree for the tenure of the Kesturi RPS A to be extended for an additional period of 4 years such that the expiry date of the Kesturi RPS A is extended from 19 September 2026 to 19 September 2030. Accordingly the GRV (as defined in Appendix II) shall be revised in accordance with **Appendix III** as attached herein ("**Revised GRV**").

ECSB had accepted Kesturi's request for the Proposed Extension subject to approval being obtained from its shareholder, namely Ekovest, which in turn is subject to further approval from the shareholders of Ekovest.

## 4. KESTURI DEBT RESTRUCTURING

Kesturi had on 18 October 2005, issued RM780 million in nominal value of the Existing Sukuk to be redeemed in nine (9) tranches with maturities commencing from 2010 to 2018 to partly finance the construction of the DUKE. Kesturi is required to redeem RM50 million of the Existing Sukuk on 18 October 2010. However, given the cash flow constraint currently faced by Kesturi, it would not be in a position to redeem the said first tranche of RM50 million Existing Sukuk. The cash flow constraint was primarily attributable to Kesturi not being able to generate sufficient cash flow from the toll collections of the DUKE, which was opened for access to the public in phases commencing January 2009 and was only made fully accessible to the public in May 2009.

To ease Kesturi's burden in servicing its debt obligations in the immediate terms, Kesturi had proposed the Kesturi Debt Restructuring. Pursuant to the Kesturi Debt Restructuring, Kesturi had previously proposed to redeem the RM780 million Existing Sukuk before their stated maturity with proceeds to be raised from the proposed issuance of up to RM780 million in nominal value of the Senior Sukuk with maturities ranging from 5 years to 16 years and up to RM50 million in nominal value of the Junior Sukuk with a maturity of 17 years.

The Senior Sukuk was originally intended to be guaranteed by Danajamin Nasional Berhad with an indicative rating of $AAA_{IS(FG).}$ Having reconsidered the costs and benefits of the Senior Sukuk vis-à-vis other available options, Kesturi has now proposed to redeem the RM780 million Existing Sukuk with proposed issuance of Islamic medium term notes ("**IMTNs**") pursuant to a 19 years issuance programme of up to RM820 million in nominal value ("**Proposed Sukuk Programme**") and proposed issuance of up to RM50 million in nominal value of the Junior Bonds with a maturity of 19.5 years ("**Replacement**"). The Replacement is also expected to provide Kesturi with additional flexibility with respect to the Kesturi Debt Restructuring and to better align with the cash flow profile of Kesturi moving forward.

## 5. RATIONALE

In the event that Kesturi goes into liquidation, dissolution or winding-up due to its inability to service its debt obligations when due (hence also affect Wira Kristal's ability to service its obligations), although the Wira Kristal RPS and Kesturi RPS A held by the Ekovest Group shall immediately become redeemable and rank in priority in all respects to the Wira Kristal Shares, Kesturi Shares and Kesturi RPS (where applicable) based on the current terms, its claim on the assets of Wira Kristal and Kesturi shall rank after the claim by the creditors. In view thereof, the Ekovest Group may not be able to fully recover the value of its existing investments in the form of Wira Kristal RPS and Kesturi RPS A.

To safeguard its existing investments, the Ekovest Group has agreed to the Proposals. The Proposals are undertaken also after taking into considerations the following:

(i) the Proposed Junior Bonds Subscription could provide the Ekovest Group with stable returns in the form of Expected Coupon Payments which are payable on the Scheduled Coupon Payment Dates at 11.5% per annum;

(ii) Kesturi has requested for the Proposed Extension as the Proposed Sukuk Programme has been assigned an indicative rating of AA-IS by Malaysian Rating Corporation Berhad subject to, amongst others, one of the conditions precedent that the tenure of the Kesturi RPS A has been extended such that the maturity date of the Kesturi RPS A falls after the maturity date of the Proposed Sukuk Programme. It is imperative for the Proposed Sukuk Programme to be accorded a rating in the region of AA-IS to arrive at a reasonable profit rate and a reasonable level of demand by the investors; and

(iii) pursuant to the Proposed Extension, the Ekovest Group will continue to be entitled to annual cumulative gross dividends of 8% per annum and redemption sum inclusive of redemption premium (which is calculated after taking into considerations, amongst others, the Revised GRV) through the holding of Kesturi RPS A, during the extended tenure of the Kesturi RPS A.

## 6. EFFECTS OF THE PROPOSALS

### 6.1 Issued and paid-up share capital

The Proposals will not have any effect on the issued and paid-up share capital of Ekovest.

### 6.2 Substantial shareholders' shareholding in Ekovest

The Proposals will not have any effect on the substantial shareholders' shareholding in Ekovest.

### 6.3 Net assets and gearing

#### (i) Proposed Junior Bonds Subscription

Assuming that RM35 million of Junior Bonds are subscribed and funded entirely via internally generated funds of the Ekovest Group, the Proposed Junior Bonds Subscription will not have any material effect to the consolidated net assets per share and gearing of the Ekovest Group.

Assuming that RM35 million of Junior Bonds are subscribed and funded entirely via external borrowings of the Ekovest Group, the proforma effects of the Proposed Junior Bonds Subscription based on the Ekovest Group's latest audited consolidated balance sheet as at 30 June 2009 are as follows:

| | **Audited as at 30 June 2009** | **After the Proposed Junior Bonds Subscription** |
|---|---|---|
| | **RM'000** | **RM'000** |
| Share capital | 141,701 | 141,701 |
| Reserves | 165,481 | 164,981* |
| Shareholders' funds/Net assets | 307,182 | 306,682 |
| Number of Ekovest Shares in issue ('000) | 141,701 | 141,701 |
| Net assets per Ekovest Share (RM) | 2.17 | 2.16* |
| Borrowings (RM'000) | 90,362 | 125,362 |
| Gearing (times) | 0.29 | 0.41 |

***Note:***
* *After deducting estimated expenses in relation to the Proposals of approximately RM500,000.*

### (ii) Proposed Extension

The Proposed Extension will not have any immediate material impact on the net assets and gearing of the Ekovest Group. The Proposed Extension is expected to improve the Ekovest Group's net assets and gearing during the extended tenure of the Kesturi RPS A as it will continue to be entitled to the dividends and redemption sum (inclusive of redemption premium) of the Kesturi RPS A, assuming that such Kesturi RPS A have not been fully redeemed by its original expiry date.

## 6.4 Earnings

### (i) Proposed Junior Bonds Subscription

The Proposed Junior Bonds Subscription is expected to contribute positively to the future earnings of the Ekovest Group as it will be entitled to Expected Coupon Payments on the Scheduled Coupon Payment Dates pursuant to the holding of the Junior Bonds.

### (ii) Proposed Extension

The Proposed Extension will not have any immediate material impact on the earnings and earnings per share of the Ekovest Group. However, the Proposed Extension is expected to contribute positively to the future earnings of the Ekovest Group during the extended tenure of the Kesturi RPS A as it will continue to be entitled to the dividends and redemption sum (inclusive of redemption premium) of the Kesturi RPS A, assuming that such Kesturi RPS A have not been fully redeemed by its original expiry date.

## 7. SUBSTANTIAL SHAREHOLDERS' AND DIRECTORS' INTEREST

As mentioned in the announcement dated 23 July 2010, EHSB is a substantial shareholder of Ekovest. Dato' Lim is a Director and substantial shareholder of EHSB, Ekovest and Kesturi.

Accordingly, EHSB and Dato' Lim are deemed interested in the Proposals. EHSB will abstain and have undertaken to ensure that persons connected with EHSB will abstain from voting in respect of its direct and/or indirect shareholding in Ekovest, if any, on the resolutions pertaining to the Proposals at an EGM to be convened.

Dato' Lim has abstained and will continue to abstain from deliberating and voting on the Proposals at the relevant Board of Directors meeting of Ekovest. Dato' Lim will abstain and has undertaken to ensure that persons connected to him will abstain from voting in respect of their direct and/or indirect shareholdings in Ekovest, if any, on the resolutions pertaining to the Proposals at the EGM.

## 8. DIRECTORS' STATEMENT

The Directors of Ekovest (except for Dato' Lim, the interested Director who has abstained from all deliberations on the Proposals), having considered all aspects of the Proposals, are of the opinion that the Proposals are in the best interests of Ekovest.

## 9. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of Ekovest, having considered the Independent Adviser's evaluation and opinion and all other aspects of the Proposals, is of the opinion that the Proposals are:

(i) in the best interests of Ekovest;

(ii) fair, reasonable and on normal commercial terms; and

(iii) not detrimental to the interests of the minority shareholders.

## 10. APPROVALS REQUIRED

The Proposed Junior Bonds Subscription is subject to approvals being obtained from the following:

(i) shareholders of Ekovest at an EGM to be convened; and

(ii) any other relevant authorities and/or parties, if required.

The Proposed Extension is subject to the approval being obtained from the shareholders of Ekovest.

The Proposed Junior Bonds Subscription and the Proposed Extension are inter-conditional upon each other.

## 11. ESTIMATED TIMEFRAME FOR COMPLETION

In view of the new development, the Proposals are expected to be completed in the fourth quarter of 2010 barring unforeseen circumstances.

The tentative timetable for the implementation of the Proposals and the Kesturi Debt Restructuring are as follows:

| **Key Events** | **Year 2010** |
|---|---|
| EGM | Early October |
| Completion of the Proposals | Mid October |
| Completion of the Kesturi Debt Restructuring | Mid October |

## 12. DOCUMENTS FOR INSPECTION

The Supplemental Agreement and the Request Letter are available for inspection during normal business hours at Ekovest's registered office at 33-35, Ground Floor, Wisma Ekovest, Jalan Desa Gombak 6, Taman Sri Setapak, 53000 Kuala Lumpur, from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.

This announcement is dated 15 September 2010.