

## EKOVEST BERHAD ("EKOVEST" OR THE "COMPANY")

- PROPOSED ACQUISITION
- PROPOSED SHARE SPLIT
- PROPOSED RIGHTS ISSUE WITH WARRANTS
- PROPOSED ESOS
- PROPOSED AMENDMENTS TO M&A

### (COLLECTIVELY THE "PROPOSALS")

---

## 1. INTRODUCTION

On behalf of the Board of Directors of Ekovest ("**Board**"), AmlInvestment Bank Berhad ("**AmlInvestment Bank**") wishes to announce that the Company proposes to undertake the following:-

(i) proposed acquisition by:-

- (a) Wira Kristal Sdn Bhd ("**Wira Kristal**"), a wholly-owned subsidiary of Ekovest, of 1,500,000 ordinary shares of RM1.00 each in Nuzen Corporation Sdn Bhd ("**Nuzen**") ("**Nuzen Shares**") and 13,500,000 redeemable preference shares of RM1.00 each in Nuzen ("**Nuzen RPS**") representing the remaining 30% equity interest in Nuzen not held by Wira Kristal ("**Balance 30% Interest**");
- (b) Ekovest Construction Sdn Bhd ("**ECSB**"), a wholly-owned subsidiary of Ekovest, of 585 Series A redeemable preference shares of RM1.00 each in Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd ("**Kesturi**") ("**Kesturi RPS A**"); and
- (c) Ekovest of RM54,000,000 nominal value redeemable secured junior bonds in Kesturi ("**Kesturi Junior Bonds**"),

from Malaysian Resources Corporation Berhad ("**MRCB**" or the "**Vendor**") for a total cash purchase consideration of RM228.0 million ("**Purchase Consideration**") ("**Proposed Acquisition**");

- (ii) proposed share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each in Ekovest ("**Shares**") held by the entitled shareholders of the Company on an entitlement date to be determined later ("**Share Split Entitlement Date**") into two (2) new ordinary shares of RM0.50 each in Ekovest ("**Ekovest Shares**") ("**Proposed Share Split**");
- (iii) proposed renounceable rights issue of 244,413,960 new Ekovest Shares ("**Rights Shares**") together with 122,206,980 free detachable warrants ("**Warrants**") at an issue price to be determined later on the basis of two (2) Rights Shares together with one (1) free Warrant for every five (5) existing Ekovest Shares held after the Proposed Share Split on an entitlement date to be determined later ("**Rights Issue Entitlement Date**") ("**Proposed Rights Issue With Warrants**");
- (iv) proposed establishment of an employees' share option scheme ("**ESOS**") of up to fifteen percent (15%) of the issued and paid-up share capital of Ekovest ("**Proposed ESOS**"); and
- (v) proposed amendments to the Company's Memorandum and Articles of Association ("**M&A**") to facilitate the Proposed Share Split ("**Proposed Amendments to M&A**");

(collectively referred to as the "**Proposals**").

Details of the Proposals are set out in the ensuing sections.

## 2. DETAILS OF THE PROPOSALS

### 2.1 Proposed Acquisition

Ekovest had on 30 January 2012 and 25 January 2013, entered into a share exchange agreement and a restated share exchange agreement with Tan Sri Dato' Lim Kang Hoo ("**TSDLKH**") and Dato' Haris Onn Bin Hussein ("**Dato' Haris**") (collectively referred to as the "**Previous WK Shareholders**") for the transfer of 100% of the ordinary shares of RM1.00 each in Wira Kristal to Ekovest in exchange for 126,723,735 new Shares ("**Share Exchange**"). Wira Kristal holds 70% of the Nuzen Shares and Nuzen RPS with the balance being held by MRCB.

Pursuant to the completion of the Share Exchange on 9 May 2013, Ekovest and its subsidiaries ("**Group**" or "**Ekovest Group**") now proposes to acquire the remaining 30% equity interest in Nuzen comprising 30% of Nuzen Shares and Nuzen RPS respectively. In addition, the Ekovest Group is also proposing to acquire 585 Kesturi RPS A and RM54.0 million nominal value Kesturi Junior Bonds (collectively also known as "**Kesturi RPS A and Junior Bonds**") for a total purchase consideration of RM228.0 million. A conditional share sale agreement ("**SSA**") had been entered into with MRCB on 29 January 2014 for the aforementioned Proposed Acquisition. For information purposes, the Kesturi RPS A was previously issued at RM100,000 per Kesturi RPS A.

#### 2.1.1 Information on Nuzen

Nuzen was incorporated in Malaysia as a private limited company on 24 June 1999 under the Companies Act, 1965 ("**Act**") as a joint venture vehicle between Wira Kristal (70%), a wholly-owned subsidiary of Ekovest, and MRCB (30%). Nuzen is an investment holding company.

Nuzen has a wholly-owned subsidiary, namely Kesturi. Kesturi is the concession holder of the Duta-Ulu Kelang Expressway ("**DUKE**") which has been fully operational since 30 April 2009.

Please refer to Section 4 for the further details on the DUKE.

A summary of the key audited financial information of Nuzen and its subsidiaries ("**Nuzen Group**") are as follows:-

Financial year ended ("FYE") 31 December	2010 RM	2011 RM	2012 RM
Revenue	63,015,299	73,320,583	81,923,387
Loss before tax (" <b>LBT</b> ") / Loss after tax (" <b>LAT</b> ")	(45,904,967)	(43,904,224)	(38,115,046)
No. of ordinary shares in issue	5,000,000	5,000,000	5,000,000
Shareholders' funds/Net liabilities (" <b>NL</b> ")	(54,786,478)	(98,690,702)	(136,805,748)
NL per share <sup>(1)</sup>	(10.96)	(19.74)	(27.36)
Borrowings <sup>(2)</sup>	1,123,915,722	1,160,595,372	1,201,204,014

Notes:-

- (1) Computed based on NL divided by the number of ordinary shares in issue.
- (2) The aggregate of Islamic Medium Term Notes ("**IMTNs**"), redeemable secured junior bonds issued by Nuzen, Kesturi RPS A and hire purchase and finance lease liabilities.

**FYE 31 December 2010**

Revenue for FYE 31 December 2010 increased by approximately RM29.0 million or 85.1% year on year ("**YoY**"). As the DUKE was completed in 2009, there was no further construction revenue recognised in year 2010 and hence, revenue recognised for the period comprised mainly of revenue derived from toll collections.

For FYE 31 December 2010, LBT and LAT increased by RM13.1 million and RM11.7 million mainly due to the increase in interest attributable to the holders of Kesturi's IMTNs and junior bonds, which was a result of the debt restructuring exercise undertaken by Kesturi. In addition, higher amortisation of the concession assets as a result of higher traffic volume also contributed to the increase in LAT.

**FYE 31 December 2011**

Toll revenue grew by RM10.3 million or 16.4% YoY mainly due to the increase in traffic volume. LAT decreased by RM2.0 million for FYE 31 December 2011 due to the increase in the traffic volume of the DUKE.

**FYE 31 December 2012**

Revenue increased by approximately RM8.6 million or 11.7% YoY. The increase in revenue is mainly due to the increase in traffic volume whereby the traffic volume of the DUKE experienced a growth of approximately 11.2% in FYE 31 December 2012. Consequently, LAT had also decreased by RM5.8 million in FYE 31 December 2012 due to the increase in the traffic volume of the DUKE.

As at 15 January 2014, being the latest practicable date prior to this announcement ("**LPD**"), the authorised share capital of Nuzen is RM50,000,000 comprising 5,000,000 Nuzen Shares and 45,000,000 Nuzen RPS in Nuzen, all of which are fully paid up. For information purposes, the Nuzen RPS were issued at an issue price of RM1.00 per Nuzen RPS.

The directors of Nuzen are Dato' Haris, TSDLKH, Shaharuddin Bin Mohamed, Mohd Imran Bin Datuk Mohamad Salim, Lim Keng Cheng and Chua Soo Kok.

**2.1.2 Information on Kesturi**

Kesturi was incorporated as a private limited company in Malaysia on 15 February 2001 under the Act and is the wholly-owned subsidiary of Nuzen.

Kesturi is principally involved in the design, construction, operation and management of the DUKE.

As at the LPD, the authorised share capital of Kesturi is RM50,001,950 comprising 5,000,000 ordinary shares of RM1.00 each ("**Kesturi Shares**") and 45,001,950 redeemable preference shares of RM1.00 each in Kesturi ("**Kesturi RPS**"), whilst the issued and paid-up capital of the company is RM50,001,950 comprising 5,000,000 Kesturi Shares, 45,000,000 Kesturi RPS and 1,950 Kesturi RPS A.

For information purposes, the Kesturi RPS were issued at an issue price of RM1.00 per Kesturi RPS while the Kesturi RPS A were issued at an issue price of RM100,000 per Kesturi RPS A.

Based on the latest audited financial statements of Kesturi for the FYE 31 December 2012, the company's NL was RM136.6 million with net loss for the year of RM38.1 million.

The directors of Kesturi are Dato' Haris, TSDLKH, Shaharuddin Bin Mohamed, Mohd Imran Bin Datuk Mohamad Salim, Lim Keng Cheng and Chua Soo Kok.

### **2.1.3 Basis and justification of arriving at the Purchase Consideration**

The Purchase Consideration of RM228.0 million was arrived at on a willing-buyer willing-seller basis after taking into consideration inter-alia the following:-

- (i) the financial projection of Kesturi (excluding the financial projection of Duke Phase-2 (as defined herein)) prepared by the management of Kesturi and the indicative valuation as set out in the circular dated 26 March 2013 which was prepared for the purposes of the Share Exchange;
- (ii) remaining assets and liabilities of Nuzen at book value (based on the audited financial statements for the FYE 31 December 2012);
- (iii) the outstanding Kesturi RPS A and Kesturi Junior Bonds held by MRCB; and
- (iv) the intention of MRCB to dispose of its stake on the basis of the existing DUKE.

### **2.1.4 Salient terms of the SSA**

#### **2.1.4.1 Conditions Precedent**

- (i) The Government of Malaysia's ("**Government**") written approval(s) for the disposal of the Balance 30% Interest and 585 Kesturi RPS A (collectively referred to as the "**Sale Shares**") by the Vendor and the acquisition of the Sale Shares by Wira Kristal, ECSB and Ekovest (collectively referred to as the "**Purchasers**"), in accordance with the provisions of the Concession Agreement (as defined herein) and Supplemental Concession Agreement (as defined herein);

- (ii) CIMB Commerce Trustee Berhad's (as trustee for and on behalf of the holders of the Kesturi Junior Bonds and Islamic medium term notes of up to RM2,300 million in nominal value issued by Kesturi in accordance with the Shariah principle of Musharakah ("**Sukukholders**") written consent for the sale, assignment, transfer and conveyance of the Sale Shares and Kesturi Junior Bonds by the Vendor to the Purchasers together with all the Vendor's rights, title, benefits and interests in and to the same;
- (iii) Bursa Malaysia Securities Berhad's ("**Bursa Securities**") final, written approval for the admission, listing and quotation (as applicable) of the securities under the Company's Proposed Rights Issue With Warrants and the completion of such exercise;
- (iv) Ekovest shareholders' approval for the Purchasers' purchase, acquisition and acceptance of the Sale Shares and Kesturi Junior Bonds together with all rights, title, benefits and interests in and to the same; and
- (v) Kesturi's shareholder's approval authorizing, *inter alia*, the amendment to Article8(iii)(m) of Kesturi's Articles of Association (and any other amendments related thereto and/or as may consequentially be necessary) so that the Kesturi RPS A will be freely transferable by holders thereof as well as a certified true copy of Kesturi's latest M&A incorporating the aforesaid amendment(s) after the same have been effected.

(collectively referred to as the "**Conditions Precedent**")

#### **2.1.4.2 Conditions Precedent period ("CP Period")**

The CP Period shall be a period of six (6) months from the date of the SSA, and thereafter, in the event that the Conditions Precedent have not been fulfilled by the expiry of the aforesaid initial six (6) months by such further period of time as may be mutually agreed between the Purchasers and Vendor ("**Parties**"), unless an appeal has been lodged against the Government's written conditional approval or refusal to grant its approval(s) for the disposal of the Sale Shares by the Vendor and the acquisition of the Sale Shares by the Purchasers in which case the CP Period shall be automatically extended by three (3) months and thereafter by such further period of time as may be mutually agreed between the Parties.

#### **2.1.4.3 Payment of Purchase Consideration**

The Purchase Consideration shall be paid by the Purchasers in the following manner and at the following times:-

- (i) upon the execution by the Purchasers of the SSA, a sum of RM22,800,000.00 only, equivalent to 10% of the Purchase Consideration ("**Deposit**") shall be paid by the Purchasers to the Vendor, and in the event of completion of the sale and purchase herein, such Deposit shall be part payment towards the Purchase Consideration; and

- (ii) subject always to the satisfaction in full of all the Conditions Precedent in accordance with the provisions of the SSA, the Purchasers shall, on or before the Completion Date (as defined herein) pay or cause to be paid to the Vendor a sum of RM205,200,000.00 only, equivalent to 90% of the Purchase Consideration (“**Balance Purchase Price**”).

#### **2.1.4.4 Completion Date**

The Completion Date shall mean the date of completion of the sale and purchase of the Sale Shares and Kesturi Junior Bonds, which shall take place on the business day falling immediately after the expiration of three (3) months after the date on which all Conditions Precedent have been fulfilled in accordance with provisions of the SSA subject thereafter to an automatic interest free extension of one (1) month or subsequent thereto and subject to the mutual agreement of the Parties any other later date.

#### **2.1.4.5 Warranties**

##### **Vendor’s warranties**

- (i) the statements contained in the recitals of the SSA are true and accurate in all respects.
- (ii) the Vendor shall not hereafter sell, charge, assign, dispose of, enter into any agreement in respect of or otherwise deal with the Sale Shares and Kesturi Junior Bonds or any part thereof or any interest therein or attempt so to do unless the SSA is rescinded or terminated in accordance with its terms.
- (iii) the Vendor is the sole, absolute, registered, legal and beneficial owner of the Sale Shares and Kesturi Junior Bonds and all rights, benefits, interests and title in and to and accruing to the same.
- (iv) on Completion Date, the Vendor will convey to the Purchasers good, valid, transferable, marketable and registrable title, rights and interests in and to the Sale Shares and Kesturi Junior Bonds, free from all encumbrances and free of any and all powers of attorney granted in respect thereof (if any).
- (v) the Vendor has full power and capacity to enter into the SSA and will, upon obtainment of the Government’s approval pursuant to the Concession Agreement (as defined herein), Supplemental Concession Agreement (as defined herein) and the Sukukholders’ approval (if required by the Vendor), have full right, power and authority to enter into and perform all the Vendor’s obligations and any transactions contemplated under the SSA.
- (vi) subject to the obtainment of the Government’s approval pursuant to the Concession Agreement (as defined herein), Supplemental Concession Agreement (as defined herein) and the Sukukholders’ approval (if required by the Vendor), the Vendor has taken all necessary corporate or other action to authorise the entry and execution of and performance by the Vendor of the Vendor’s obligations and any and all transactions contemplated under the SSA.

- (vii) the Vendor has no knowledge of:-
  - (a) any actions or proceedings current or pending against the Vendor in connection with the Sale Shares and Kesturi Junior Bonds, and no claim or demand whatsoever thereto or in connection therewith has been made by any person, company or body; and
  - (b) any action or proceeding threatened or pending against the Vendor which would adversely affect the Sale Shares and Kesturi Junior Bonds and/or any of the rights, interests and/or benefits inherent thereto or affect the Vendor's execution, delivery or performance of the SSA or the consummation of the transactions contemplated under the SSA, and to the best of the Vendor's knowledge, there is no event or circumstance which may result in any such action or proceeding.
- (viii) save as otherwise specified herein:-
  - (a) no governmental approval is required in connection with the execution, delivery and performance of the SSA or the consummation of the transactions contemplated under the SSA by the Vendor; and
  - (b) no consent or approval of, or notice to any other person including any lenders of the Vendor is necessary for the Vendor's execution, delivery and performance of the SSA.
- (ix) neither the execution, delivery or performance of the SSA nor the consummation of the transactions contemplated under the SSA by the Vendor will conflict with any of the terms, covenants or provisions of or constitute a default under or be in violation of:-
  - (a) the M&A, organizational documents or resolutions of the Vendor;
  - (b) any contract, including without limitation, any and all contracts relating to any financing and other agreements to which the Vendor is a party or by which any of its assets are bound;
  - (c) any applicable laws which is or may be applicable to the Vendor; and/or
  - (d) any governmental order which is or may be applicable to the Vendor.
- (x) the SSA and all transactions contemplated under the SSA constitute valid and binding obligations of and on the Vendor in accordance with its terms.

**Purchasers' warranties**

- (i) the statements contained in the recitals of the SSA are true and accurate in all respects.

- (ii) each of the Purchasers has full power and capacity to enter into the SSA and will upon fulfillment of the Conditions Precedent will have full right, power and authority to perform all the Purchaser's obligations and any transactions contemplated under the SSA.
- (iii) each of the Purchasers will take all necessary corporate or other action to authorise the entry and execution of, and performance by the Purchaser of the Purchaser's obligations under the SSA and any and all transactions contemplated under the SSA.
- (iv) the SSA and all transactions contemplated under the SSA constitute valid and binding obligations of and on the Purchaser in accordance with its terms.
- (v) save as otherwise specified herein:-
  - (a) no governmental approval is required in connection with the execution, delivery and performance of the SSA or the consummation of the transactions contemplated under the SSA by any of the Purchasers; and
  - (b) no consent or approval of, or notice to any other person, including any lenders of the Purchasers is necessary for any of the Purchaser's execution, delivery and performance of the SSA.
- (vi) neither the execution, delivery or performance of the SSA nor the consummation of the transactions contemplated under the SSA by any of the Purchasers will conflict with any of the terms, covenants or provisions of or constitute a default under or be in violation of:-
  - (a) any of the M&A, organizational documents or resolutions of the respective Purchasers;
  - (b) any contract, including without limitation, any and all contracts relating to any financing and other agreements to which any of the Purchasers is a party or by which any of its assets are bound;
  - (c) any applicable laws which is or may be applicable to the Purchasers; and/or
  - (d) any governmental order which is or may be applicable to the Purchasers.
- (vii) the SSA and all transactions contemplated under the SSA constitute valid and binding obligations of and on the Purchasers in accordance with its terms.

#### **2.1.4.6 Termination**

- (i) In the event that any Condition Precedent is not fulfilled by or before the expiry of the CP Period and the Parties fail to mutually agree on a further extension thereof, the SSA shall automatically terminate and the provisions of Section 2.1.4.7 below shall apply.



(ii) Save for termination pursuant to Section 2.1.4.6(i) above and unless the non-defaulting Party elects to proceed to the completion of the sale and purchase of the Sale Shares and Kesturi Junior Bonds so as far as is practicable or elects to seek specific performance against the other Parties in respect of the provisions of the SSA, the Parties hereby agree that:-

- (a) if the Vendor shall fail or refuse to fulfill any of its obligations under clause 5.3 or 5.4 of the SSA or pursuant to the provisions of or in the manner provided in the SSA;
- (b) if the Purchasers shall fail or refuse to pay the Deposit and/or Balance Purchase Price in accordance with the provisions of the SSA;
- (c) if any representation or warranty of the Vendor or the Purchasers contained in the SSA should be found to be incorrect, misleading or untrue in any material manner; or
- (d) if the Vendor or any of the Purchasers breaches, omits or fails to perform any of its obligations under or any of the terms of the SSA;

and the defaulting Party fails to remedy or rectify such failure, omission or breach (if capable of remedy or rectification) to the non-defaulting Party's / Parties' satisfaction within ten (10) business days of the defaulting Party's receipt of a notice thereof from the non-defaulting Party / Parties requiring the defaulting Party to remedy such failure, omission or breach, then the non-defaulting Party / Parties shall be entitled to immediately terminate the SSA without any further notice to the defaulting Party provided always that if the defaulting Party is a Purchaser, no other Purchaser shall be entitled to serve any notice under the SSA or to terminate the SSA by reason of such failure, omission or breach on the part of the defaulting Purchaser. In the event of a termination pursuant to this Section 2.1.4.6(ii), the provisions of Section 2.1.4.7(iii) below will apply.

#### **2.1.4.7 Termination consequences**

- (i) In the event that the SSA is terminated pursuant to Section 2.1.4.6(i) above, if the termination pursuant to Section 2.1.4.6(i) is due to the non-fulfillment of items (iv) or (v) of the Conditions Precedent (although items (i) to (iii) have been fulfilled) in Section 2.1.4.1, the Deposit (together with interest if any) earned during the period the Deposit is held by the Vendor will be retained by the Vendor as agreed compensation for the termination, and thereafter, the SSA shall lapse and be null and void and of no further effect, and none of the Parties hereto shall have any further claim whatsoever against the other Parties save in respect of any antecedent breach; or

- (ii) if the termination pursuant to Section 2.1.4.6(i) is due to the non-fulfillment of items (i), (ii) or (iii) of the Conditions Precedent (irrespective of whether items (iv) to (v) have been fulfilled) in Section 2.1.4.1, the Deposit (together with interest if any) earned during the period the Deposit is held by the Vendor), shall be refunded by the Vendor to the Purchasers and thereafter, the SSA shall lapse and be null and void and of no further effect, and none of the Parties hereto shall have any further claim whatsoever against the other Parties save in respect of any antecedent breach.
- (iii) The Parties further hereby agree that notwithstanding anything to the contrary contained in the SSA but subject always to the right of specific performance set out in clause 13.1 of the SSA, in the event of a rescission or termination of the SSA by any Party for any reason whatsoever:-
  - (a) the Purchasers shall immediately return to the Vendor all documents, if any, delivered to it by or on behalf of the Vendor with all rights and interests of the Vendor fully intact;
  - (b) the Vendor shall immediately return to the Purchasers all documents, if any, delivered to it by or on behalf of the Purchasers with all rights and interests of the Purchasers fully intact, and immediately fully pay and refund to the Purchasers all sums which may have been paid by the Purchasers and/or on behalf of the Purchasers to the Vendor (together with interest (if any) earned during the period such sums are held by or for the account or benefit of the Vendor);
  - (c) the Parties will, where applicable, do all such acts, deeds and things and issue any and all such notices, instructions, advices and confirmations as may be necessary to cancel the transaction in respect of the Kesturi Junior Bonds; and
  - (d) thereafter, all rights and obligations of the Parties shall immediately cease and terminate, the SSA shall become null and void and of no further effect and no Party shall have any further rights or obligations under the SSA against or to the other Parties, save that clauses which are expressed to survive the rescission, termination or expiry of the SSA or which from their nature or context it is contemplated that they are to survive a rescission, termination or expiry of the SSA shall continue in force following such rescission or termination of the SSA, and no Party shall have or make any claims whatsoever against any other Party whether for breach) losses, damages or otherwise save for any antecedent breach.

#### **2.1.4.8 Specific performance**

Each Party shall be entitled to a right of specific performance against the other Parties in respect of the provisions of the SSA.

### 2.1.5 Background information of the Vendor

MRCB was incorporated in Malaysia on 21 August 1968 under the Act as a private limited liability company under the name Perak Carbide Corporation Sendirian Berhad. It was converted to a public company on 28 June 1969 and listed on the then Main Board of Bursa Securities on 22 March 1971. It subsequently changed its name to Malaysian Resources Corporation Berhad on 12 October 1981. As at 31 December 2013, the authorised share capital of MRCB is RM2,000,000,000 comprising 2,000,000,000 ordinary shares of RM1.00 each in MRCB of which RM1,651,311,934 comprising 1,651,311,934 ordinary shares of RM1.00 each have been issued and credited as fully paid-up.

MRCB is principally an investment holding company. MRCB also engages in construction related activities, environmental engineering, property development and investment as well as provision of management services to its subsidiaries. MRCB and its subsidiaries and associates are principally engaged in property development and investment, building services, environmental engineering, infrastructure and engineering as well as construction related activities.

The particulars of MRCB's directors and substantial shareholders and their respective shareholdings in MRCB as at 31 December 2013 are as follows:-

Name	Nationality/ Country of incorporation	← Direct →		← Indirect →	
		No. of shares	%	No. of shares	%
<b><u>Directors</u></b>					
Datuk Mohamad Salim bin Fateh Din	Malaysian	-	-	206,635,604	12.51
Dato' Ishak Haji Mohamed	Malaysian	-	-	-	-
Tan Sri Azlan Zainol	Malaysian	-	-	-	-
Dato' Chong Pah Aung	Malaysian	-	-	-	-
Datuk Shahril Ridza Ridzuan	Malaysian	500,000	0.04	-	-
Dato' Abdul Rahman Ahmad	Malaysian	-	-	-	-
Jamaludin Zakaria	Malaysian	-	-	-	-
Che King Tow	Malaysian	-	-	-	-
<b><u>Substantial shareholders</u></b>					
Employees Provident Fund Board	Malaysia	641,934,951	38.87	-	-
Gapurna Sdn Bhd	Malaysia	206,635,604	12.51	-	-
Lembaga Tabung Haji	Malaysia	146,070,473	8.85	-	-

### 2.1.6 Source of funding

The Proposed Acquisition is to be financed via internally generated funds, bank borrowings and/or the proceeds from the Proposed Rights Issue With Warrants.

### 2.1.7 Liabilities to be assumed

There are no other liabilities, including contingent liabilities and guarantees, to be assumed by Ekovest pursuant to the Proposed Acquisition save for those incurred in the ordinary course of business of Nuzen Group.

### 2.1.8 Additional financial commitment

Ekovest does not expect to extend any additional financial commitment to put the business on-stream as DUKE is already in full operation. Nevertheless, the construction cost of DUKE Phase-2 (as defined herein) is expected to be RM1,183 million. To finance the construction costs of the DUKE Phase-2 (as defined herein), Kesturi had on 2 December 2013 issued RM2,300 million (in nominal value) of Islamic medium term notes under the Shariah principle of Musharakah ("**Senior Sukuk**") and RM180 million (in nominal value) of Kesturi Junior Bonds. The net proceeds of the Senior Sukuk and Kesturi Junior Bonds, after taking into consideration the other intended utilisation of redemption of Kesturi's existing junior bonds and sukuk as well as associated fees and expenses and funding of the initial deposit for the Senior Sukuk amounts to RM1,164 million. The balance of the construction cost for the DUKE Phase-2 (as defined herein) will be financed by the future cash flows generated from the existing DUKE.

## 2.2 Proposed Share Split

The Proposed Share Split involves the subdivision of every one (1) existing Share into two (2) new Ekovest Shares held by the shareholders of Ekovest whose names appear on the record of securities holders established by Bursa Malaysia Depository Sdn Bhd ("**Record of Depositors**") at the Share Split Entitlement Date.

As at the LPD, the issued and paid-up share capital of Ekovest is RM305,517,450 comprising 305,517,450 Shares. Accordingly, upon completion of the Proposed Share Split, the issued and paid-up share capital of Ekovest will be RM305,517,450 comprising 611,034,900 Ekovest Shares.

No suspension will be imposed on the trading of Ekovest Shares on Bursa Securities for the purpose of implementing the Proposed Share Split.

The Ekovest Shares to be issued pursuant to the Proposed Share Split shall, upon allotment and issue, rank *pari passu* in all respects with each other.

## 2.3 Proposed Rights Issue With Warrants

The Proposed Rights Issue With Warrants of 244,413,960 Rights Shares together with 122,206,980 free Warrants at an issue price to be determined, is to be implemented on a renounceable basis of two (2) Rights Shares together with one (1) free Warrant for every five (5) existing Ekovest Shares held after the Proposed Share Split at the Rights Issue Entitlement Date.

For illustration purposes and based on the enlarged issued and paid-up share capital of Ekovest of RM305,517,450 comprising 611,034,900 Ekovest Shares after the Proposed Share Split, a total of 244,413,960 Rights Shares together with 122,206,980 Warrants will be issued in the event all the Entitled Shareholders (as defined herein) and/or their renounee(s) (if applicable) fully subscribe for their entitlements under the Proposed Rights Issue With Warrants.

The Rights Shares will be offered to the shareholders of Ekovest whose names appear in the Record of Depositors of the Company as at the close of business at the Rights Issue Entitlement Date ("**Entitled Shareholders**").

The Warrants will be immediately detached from the Rights Shares upon issuance and will be traded separately. The Warrants will be in registered form and constituted by a deed poll to be executed by the Company ("**Deed Poll**").

The Entitled Shareholders can fully or partially renounce their entitlements for the Rights Shares together with the Warrants. Accordingly, the Entitled Shareholders can subscribe for and/or renounce their entitlements to the Proposed Rights Issue With Warrants in full or in part. Should the Entitled Shareholders renounce all of their Rights Shares entitlements under the Proposed Rights Issue With Warrants, they shall be deemed to have renounced the accompanying entitlement to the Warrants to be issued together with the Rights Shares. However, if the Entitled Shareholders accept only part of their Rights Shares entitlement under the Proposed Rights Issue With Warrants, they shall be entitled to the Warrants in the proportion of their acceptance of the Rights Shares entitlement.

Any Rights Shares which are not taken up or validly taken up shall be made available for excess Rights Shares applications by the Entitled Shareholders and/or their renounees. It is the intention of the Board to allocate the excess Rights Shares in a fair and equitable manner on such basis to be determined by the Board and announced later by the Company.

In determining Shareholders' entitlements to the Rights Shares under the Proposed Rights Issue With Warrants, fractional entitlements, if any, will be disregarded and dealt with in such manner as the Board in its absolute discretion deems fit or expedient or in the best interests of the Company.

### **2.3.1 Basis of determining the issue price of the Rights Shares and exercise price of the Warrants**

The Board has yet to decide on the issue price of the Rights Shares and the exercise price of the Warrants as at the date of this announcement.

The issue price of the Rights Shares and the exercise price of the Warrants will be determined and announced by the Board by the Rights Issue Entitlement Date, after taking into consideration the theoretical ex-all price of the Ekovest Shares (after adjusting for the Proposed Share Split) ("**TEAP**") based on the five (5)-day volume weighted average market price ("**VWAP**") of the Ekovest Shares immediately preceding the price-fixing date.

The issue price of the Rights Shares shall also be determined after also taking into consideration, amongst others, the prevailing market conditions, the current and future prospects of Ekovest Group as well as the historical share price movement of the Shares vis-a-vis the funding requirements of Ekovest.

The exercise price of the Warrants shall also be determined after taking into consideration the future prospects of Ekovest Group.

Strictly for illustration purposes only, assuming an issue price of RM1.00 per Rights Share and an exercise price of RM1.50 per Warrant, the illustrative issue price of the Rights Shares would represent a discount of approximately 21.7%, while the illustrative exercise price of the Warrants would represent a premium of approximately 17.4%, from/to the TEAP of RM1.2777, based on the five (5)-day VWAP of the Shares (after adjusting for the Proposed Share Split) up to and including 28 January 2014, being the last market day prior to the date of this announcement of RM2.7775 (the theoretical share price after the Proposed Share Split amounts to RM1.3888).

### 2.3.2 Substantial shareholders' undertakings and underwriting arrangement

The Company intends to undertake the Proposed Rights Issue With Warrants on a full subscription basis (i.e. full subscription for the 244,413,960 Rights Shares proposed under the Proposed Rights Issue With Warrants) ("**Full Subscription Level**").

The Company intends to request its substantial shareholders to provide written irrevocable and unconditional undertakings to subscribe in full for its/their respective entitlements under the Proposed Rights Issue With Warrants based on its/their shareholdings as at the Rights Issue Entitlement Date ("**Undertakings**"). In this respect, in order to meet the Full Subscription Level, any Rights Shares, not taken up via the Undertakings shall be underwritten via an underwriting arrangement ("**Underwritten Portion**").

A summary of the Undertakings is as follows:-

Substantial shareholders	Shareholdings as at the LPD		After the Proposed Share Split		Rights Shares entitlement
	No. of Shares	%	No. of Ekovest Shares	%	No. of Ekovest Shares
TSDLKH	61,672,175	20.19	123,344,350	20.19	49,337,740
Kota Jayasama Sdn Bhd	61,582,879	20.16	123,165,758	20.16	49,266,303
Ekovest Holdings Sdn Bhd (" <b>EHSB</b> ")	37,250,000	12.19	74,500,000	12.19	29,800,000
Lim Seong Hai Holdings Sdn Bhd (" <b>LSHH</b> ")	11,955,600	3.91	23,911,200	3.91	9,564,480
Fablelite Sdn Bhd	3,870,300	1.27	7,740,600	1.27	3,096,240

The underwriting arrangement for the Underwritten Portion will be finalised at a later date subject to an underwriting agreement to be entered into. The Undertakings together with Underwritten Portion will constitute the Full Subscription Level.

The abovementioned shareholders ("**Undertaking Shareholders**") will confirm that the Undertakings will not give rise to any consequences relating to a mandatory general offer obligation under the Malaysian Code on Take-Overs and Mergers, 2010 ("**Code**") after the implementation of the Proposed Rights Issue With Warrants as the current shareholdings of TSDLKH and parties acting in concert is more than fifty percent (50%) and the remaining portion of the Rights Shares not covered by the Undertakings will be underwritten.

There will not be any immediate implication under the Code arising from the issuance and allotment of the Warrants to the Undertaking Shareholders as the Warrants are not voting shares until and unless they are exercised.

In the event that any Undertaking Shareholder elects to exercise its/his Warrants in the future, the number of Warrants exercised and the timing of the exercise of Warrants may result in the relevant Undertaking Shareholder(s) triggering a mandatory offer obligation under the Code unless otherwise exempted by the Securities Commission Malaysia (“SC”) under the provisions of the Code and upon application by the relevant Undertaking Shareholder(s), subject to any conditions imposed by the SC. The Undertaking Shareholders will confirm that they will at all times observe and ensure compliance with the provisions of the Code and will seek the necessary exemptions from the SC, if required.

### 2.3.3 Ranking of the Rights Shares

The Rights Shares and new Ekovest Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the then existing ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions that may be declared, made or paid to shareholders, the entitlement date of which is prior to the date of allotment of the said securities.

### 2.3.4 Indicative salient terms of the Warrants

Number of Warrants	: 122,206,980 Warrants.
	The number of Warrants may be subject to adjustments under certain circumstances in accordance with the provisions of the Deed Poll to be executed by the Company.
Form and detachability	: The Warrants will be issued in registered form and will immediately be detached from the Rights Shares upon allotment and issuance and separately traded on Bursa Securities.
Issue price of Warrants	: The Warrants are to be issued free to the Entitled Shareholders and/or renounees who subscribe to the Rights Shares on the basis of one (1) free Warrant for every two (2) Rights Shares.
Board Lot	: For the purposes of trading on Bursa Securities, a board lot of Warrants will be in 100 units, unless otherwise revised by the relevant authorities.
Listing	: An application will be made to Bursa Securities for the admission of, the listing of and quotation for the Warrants and the listing of and quotation for the new Ekovest Shares to be issued pursuant to the exercise of the Warrants on the Official List of the Bursa Securities.
Tenure of Warrants	: Five (5) years from the date of issuance of the Warrants.
Exercise Price	: A price to be determined later by the Company, payable in full in respect of each Share upon exercise of the Warrants. The exercise price and/or the number of Warrants in issue during the Exercise Period may also be adjusted in accordance with the terms and conditions set out in the Deed Poll governing the Warrants.

Exercise Period	: The Warrants may be exercised at any time on and including the date of issue of the Warrants respectively to the close of business at 5.00 p.m. on the business day immediately preceding the date which is the fifth (5 <sup>th</sup> ) anniversary from the date of issue.
	Any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid.
Mode of Exercise	: The registered holder of the Warrants shall pay by way of banker's draft or cashier's order or money order or postal order drawn on a bank or post office in Malaysia for the aggregate Exercise Price payable when exercising the Warrants and subscribing for new Ekovest Shares.
Exercise Rights	: Each Warrant carries the entitlement, at any time during the Exercise Period, to subscribe for one (1) new Ekovest Share at the Exercise Price, subject to adjustments in accordance with the provisions of the Deed Poll.
Voting Rights	: The Warrants do not entitle the registered holders thereof to any voting rights in any general meeting of the Company until and unless such holders of the Warrants exercise their Warrants for new Ekovest Shares.
Status of new Ekovest Shares to be issued pursuant to the exercise of the Warrants	: The new Ekovest Shares to be issued pursuant to the exercise of the Warrants shall, upon allotment and issue, rank <i>pari passu</i> in all respects with the then existing ordinary shares of the Company except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the allotment date of the new Ekovest Shares to be issued arising from the exercise of the Warrants.
Adjustments to the final Exercise Price and/or the number of the Warrants	: The Exercise Price and/or the number of Warrants in issue may be subject to adjustments in the event of any alteration in the share capital of the Company at any time during the tenure of the Warrants, whether by way of, amongst others, rights issue, bonus issue, consolidation of shares, subdivision of shares or reduction of capital, in accordance with the provisions of the Deed Poll.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**



- Rights in the event of winding up, liquidation, compromise and/or arrangement : (a) Where a resolution has been passed for a members' voluntary winding up of the Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of the Company or the amalgamation of the Company with (1) one or more companies, then for the purposes of such winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which the Company is the continuing corporation) to which the holder of the Warrants (or some person designated by them for such purpose by special resolution) shall be a party, the terms of such winding-up, compromise and arrangement shall be binding on all the holders of the Warrants;
- (b) In the event a notice is given by the Company to its Shareholders to convene a general meeting for the purpose of considering, and if thought fit, approving a resolution to voluntarily wind up the Company, the Company shall on the same date or soon after it despatches such notice to its Shareholders, give notice thereof to all holders of the Warrants. Every holder of the Warrants shall thereupon be entitled, subject to the conditions set out in the Deed Poll, to exercise his Warrants at any time not more than 21 days prior to the proposed general meeting of the Company by submitting the subscription form (by irrevocable surrender of his Warrants to the Company) duly completed authorising the debiting of his Warrants together with payment of the relevant Exercise Price, whereupon the Company shall as soon as possible but in any event prior to the date of the general meeting, allot the relevant Ekovest Shares to the holder of the said Warrants credited as fully paid subject to the prevailing laws.

Subject to the above, if the Company is wound-up or an order has been granted for such compromise or arrangement, all Exercise Rights which are not exercised prior to the passing of the resolution for winding-up or the granting of the court order approving the winding-up, compromise or arrangement (other than a consolidation, amalgamation or merger in which Company is the continuing corporation), shall lapse and the Warrants will cease to be valid for any purpose.

- Transferability : The Warrants shall be transferable in the manner provided under the Securities Industry (Central Depositories) Act, 1991 of Malaysia and the Rules of Bursa Malaysia Depository Sdn Bhd.
- Deed Poll : The Warrants will be constituted under a deed poll to be executed by the Company.
- Governing Law : The Warrants and the Deed Poll shall be governed by the laws of Malaysia.

## 2.4 Proposed ESOS

The Company proposes to establish and implement the Proposed ESOS which will be valid for a duration of five (5) years. However, on or before the expiry of the validity period of the Proposed ESOS, the Board may at its discretion, without having to obtain the shareholders' approval, to extend the duration of up to ten (10) years. The Proposed ESOS will involve the granting of options ("**ESOS Options**") to the eligible employees and Directors ("**Eligible Persons**") of Ekovest Group who meet the eligibility criteria to participate in the Proposed ESOS, to subscribe for new Ekovest Shares at a pre-determined price ("**Exercise Price**"), in accordance with the by-laws governing the Proposed ESOS ("**By-Laws**").

The Proposed ESOS will be administered by a share scheme committee ("**ESOS Committee**"), the members of which shall be duly appointed and authorised by the Board. The ESOS Committee will have the absolute discretion in administering the Proposed ESOS including prescribing any conditions as it may deem fit. Any liberty, power or discretion which may be exercised or any decision or determination which may be made by the ESOS Committee (including any selection) pursuant to the By-Laws may be exercised in the ESOS Committee's sole and absolute discretion having regard to the terms of reference which the Board may establish to regulate and govern the ESOS Committee's functions and responsibilities under the By-Laws.

The salient terms of the Proposed ESOS are as follows:-

**(i) Maximum number of new Ekovest Shares available under the Proposed ESOS**

The maximum number of the new Ekovest Shares which may be issued and allotted under the Proposed ESOS shall not, at any point in time during the duration of the Proposed ESOS, exceed fifteen percent (15%) of the issued and paid-up ordinary share capital of the Company.

The Company shall ensure that there are sufficient unissued Ekovest Shares in the capital of the Company to satisfy all the outstanding ESOS Options throughout the duration of the Proposed ESOS.

**(ii) Basis of allotment and maximum entitlement**

Subject to any adjustments which may be made under the By-Laws, the maximum number of new Ekovest Shares that may be offered and allotted to an Eligible Person shall be determined at the discretion of the ESOS Committee after taking into consideration, amongst others, the Eligible Person's performance, seniority and such other factors as the ESOS Committee deems fit, subject to the following conditions:-

- (a) the Company's Directors and senior management do not participate in the deliberation or discussion in respect of their own allocation;
- (b) the total Ekovest Shares made available under the Proposed ESOS shall not exceed the amount stipulated in Section 2.4(i) above; and
- (c) the allocation to any Eligible Person who, either singly or collectively through persons connected with him/her, holds twenty percent (20%) or more of the issued and paid-up capital of the Company, shall not exceed ten percent (10%) of the new Ekovest Shares to be issued pursuant to the Proposed ESOS.

**(iii) Eligibility**

An employee of the Group shall be able to participate in the Proposed ESOS, if, as at the date on which an offer of ESOS Options is made by the ESOS Committee ("**Offer**"):-

- (i) the individual is a full time employee whose employment with the Group has been confirmed and has attained eighteen (18) years of age;
- (ii) he / she is a confirmed employee of a company which is acquired by the Group during the duration of the Proposed ESOS and becomes a subsidiary of the Company upon such acquisition, on the date of Offer; and
- (iii) fulfills any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

Any Director of the Group shall be able to participate in the Proposed ESOS, if, as at the date of Offer:-

- (i) the individual is a Director (including Non-Executive and/or Independent Director) of the Group;
- (ii) the specific allocation of the Ekovest Shares to that individual under the Proposed ESOS has been approved by the shareholders of the Company at a general meeting (where required under the Main Market Listing Requirements of Bursa Securities ("**Listing Requirements**")); and
- (iii) the individual fulfills any other criteria and/or falls within such category as may be determined by the ESOS Committee from time to time.

The eligibility does not confer on an Eligible Person a claim or right to participate in the Proposed ESOS unless the ESOS Committee has made an Offer to the Eligible Person and the Eligible Person has accepted the Offer in accordance with the terms of the Offer and the Proposed ESOS.

**(iv) Duration**

The Proposed ESOS shall be for a period of five (5) years ("**Initial Period**") and may be further extended for a maximum period of five (5) years ("**Extension**") if recommended by the ESOS Committee and approved at the discretion of the Board. The Proposed ESOS shall continue to be in force commencing from the effective date of implementation of the Proposed ESOS ("**ESOS Effective Date**"), being the date after full compliance with the relevant requirements of the Listing Requirements in relation to the Proposed ESOS.

The Proposed ESOS may be extended by the Board at its absolute discretion, without having to obtain the approval of shareholders, for up to another five (5) years immediately after the expiry of the first five (5) years, provided that such Extension, together with the Initial Period, shall not in aggregate exceed ten (10) years from the ESOS Effective Date or such longer period as may be allowed by the relevant authorities.

**(v) Exercise Price**

The Exercise Price at which the Eligible Persons are entitled to subscribe for new Ekovest Shares shall be based on the higher of the following:-

- (i) at a discount of not more than ten percent (10%) from the five (5)-day VWAP of Ekovest Shares at the time of the Offer; or
- (ii) the par value of Ekovest Shares.

The Exercise Price shall be subject to adjustments in accordance with the By-Laws.

**(vi) Ranking of the new Ekovest Shares**

The new Ekovest Shares arising from the exercise of ESOS Options shall upon allotment and issue, rank *pari passu* in all respects with the then existing ordinary shares of the Company, except that they shall not be entitled to any dividends, rights, allotments and/or other forms of distributions that may be declared, made or paid on or prior to the date of allotment of such Ekovest Shares.

**(vii) Retention period**

Save for the allotment and issuance of Ekovest Shares to the Non-Executive Directors of Ekovest, the Ekovest Shares allotted and issued pursuant to the Proposed ESOS will not be subject to any retention period or restriction on transfers.

Non-Executive Directors of the Company must not sell, transfer or assign their Ekovest Shares obtained through the exercise of their ESOS Options for a period of one (1) year from the date of Offer or such period as may be prescribed by Bursa Securities.

**2.5 Proposed Amendments to M&A**

To accommodate the Proposed Share Split, the Company proposes to amend the M&A of the Company as follows:-

- (i) Proposed amendment to the M&A of the Company to facilitate the subdivision of the par value of the existing ordinary shares of RM1.00 each in Ekovest to RM0.50 each; and
- (ii) Proposed alteration of the authorised share capital of Ekovest, whereby the authorised share capital of RM1,000,000,000 comprising 1,000,000,000 Shares will be amended to RM1,000,000,000 comprising 2,000,000,000 Ekovest Shares.

**2.6 Utilisation of proceeds**

There will be no proceeds to be received by the Company pursuant to the Proposed Acquisition, Proposed Share Split and Proposed Amendments to M&A.

## 2.6.1 Proposed Rights Issue With Warrants

Based on the illustrative issue price of RM1.00 per Rights Share, the gross proceeds and the expected utilisation of the proceeds to be raised from the Proposed Rights Issue With Warrants are as follows:-

Proposed utilisation of proceeds	Notes	(RM'000)	Expected timeframe for utilisation
Proposed Acquisition	(a)	205,200	Within 12 months
Working capital	(b)	36,214	Within 6 months
Estimated expenses	(c)	3,000	Within 6 months
<b>Total</b>		<b>244,414</b>	

Notes:-

- (a) RM205.2 million of the proceeds from the Proposed Rights Issue With Warrants is intended to be utilised for the settlement of the balance of the Purchase Consideration ("**Balance Purchase Consideration**") for the Proposed Acquisition, as set out in Section 2.1.6 of this announcement. However, in the event that the Proposed Acquisition is not completed for any reason, the allocation earmarked for the settlement for the Balance Purchase Consideration will be utilised for the Group's on-going property development project instead, namely its EkoCheras development ("**EkoCheras**"). EkoCheras is a mixed development on 11.98 acres of land consisting three (3) residential apartment blocks, one (1) hotel tower and a lifestyle mall. EkoCheras is located along Jalan Cheras and it is easily accessible via Jalan Cheras, Middle Ring Road II, East-West Link, Grand Saga Highway and Kajang SILK Highway. It is expected to have a gross development cost of approximately RM824 million and is expected to be completed in end of year 2017.
- (b) The balance of the proceeds is proposed to be used for the Group's working capital purposes, which include the payment to suppliers and contractors for on-going development projects, as well as for day-to-day operations.
- (c) The expenses including professional fees and fees payable to the relevant authorities, printing cost of circular and abridged prospectus, advertising and miscellaneous expenses estimated to be RM3.0 million. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for the Group's working capital requirements.

If the final issue price is above RM1.00 per Rights Share, the additional proceeds raised will be used for the Group's working capital purposes.

Any proceeds arising from the future exercise of the Warrants will be utilised for the working capital requirements of the Company.

## 2.6.2 Proposed ESOS

The proceeds arising from the exercise of the ESOS Options will depend on, amongst others, the number of ESOS Options granted and exercised at the relevant point in time as well as the Exercise Price. As such, the actual amount of proceeds arising from the exercise of the ESOS Options could not be determined at this juncture. Nevertheless, the Company intends to utilise the proceeds arising from the exercise of the ESOS Options, if any, as working capital for the Group, as and when received by the Company.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

### **3. RATIONALE FOR THE PROPOSALS**

#### **3.1 Proposed Acquisition**

Ekovest is primarily involved in the construction sector, which is cyclical in nature. The Share Exchange was undertaken to strengthen the revenue profile of Ekovest Group with an additional recurring revenue stream earned via Kesturi through the operations of the DUKE.

Moving forward, the performance of the DUKE is expected to improve with the expected increase in traffic volume over the duration of the concession period and is expected to strengthen the earnings of the Group in future years. The expected completion of the DUKE Phase-2 (as defined herein) in end of year 2016 is expected to further increase the traffic volume of the DUKE.

The acquisition of the Balance 30% Interest is to obtain total control over Nuzen which was previously shared with MRCB. With the Proposed Acquisition, Ekovest is in a better position to manage the risks and enjoy full rewards from the construction and operation of the DUKE.

The acquisition of Kesturi RPS A and Junior Bonds allows Ekovest Group to fully consolidate the effects of any dividend or interest payments arising from the Kesturi RPS A and Kesturi Junior Bonds as well as reap the full benefits from any cash inflow to be received from the dividend or interest payment, redemption and/or repayment of the Kesturi RPS A and Kesturi Junior Bonds.

#### **3.2 Proposed Share Split**

The Proposed Share Split will not have any impact on the market capitalization of the Company. However the Proposed Share Split is expected to adjust the market price of each Ekovest Share.

Having considered that the Shares have been trading at an average price of RM2.82 for the past three (3) months up to and including the LPD, the Proposed Share Split is expected to increase the liquidity of Ekovest Shares as traded on the Main Market of Bursa Securities which in turn is expected to, increase the appeal of Ekovest Shares to a wider group of shareholders and investors.

#### **3.3 Proposed Rights Issue With Warrants**

Proposed Rights Issue With Warrants is undertaken to raise funds which will be utilised to inter-alia satisfy the Balance Purchase Consideration for the Proposed Acquisition. The Board proposes to fund the Proposed Acquisition via the Proposed Rights Issue With Warrants as opposed to via bank borrowings in order to avoid substantial interest expenses.

In addition, the Proposed Rights Issue will at the same time increase shareholders' funds and hence reduce gearing levels of the Group.

After due consideration of various methods of fund raising, the Board is of the opinion that raising funds by way of the Proposed Rights Issue With Warrants to fund the utilisation set out in Section 2.6 is most suitable due to the following reasons:-

- (i) the Proposed Rights Issue with Warrants will provide the shareholders of Ekovest with an opportunity to further increase their equity participation in the Company via the issuance of new Ekovest Shares at a potential discount to the prevailing market price, without diluting the existing shareholders' interest, assuming that all Entitled Shareholders fully subscribe for their respective entitlements pursuant to the Proposed Rights Issue with Warrants; and

- (ii) the Proposed Rights Issue With Warrants will increase the Group's shareholders' funds, strengthen the Group's capital base, and enhance the Group's cash flow position.

The Warrants which are attached to the Rights Shares are intended to provide an added incentive to the Entitled Shareholders to subscribe for the Rights Shares. The Warrants will allow the Entitled Shareholders to increase their equity participation in the Company at a predetermined price over the tenure of the Warrants. In addition, upon exercise of the Warrants (if any), the Company will obtain additional proceeds to finance future working capital requirements, while strengthening Ekovest's capital base, improving gearing levels as well as potentially increasing the liquidity of Ekovest Shares.

### **3.4 Proposed ESOS**

The Proposed ESOS is designed to:-

- (i) motivate and encourage the employees of the Group to work towards a greater level of commitment, dedication, loyalty and to drive enhanced productivity vis-a-vis achieving the Group's pre-determined performance conditions or performance targets;
- (ii) reward and retain employees whose services are vital to the businesses, continued growth and future expansion of the Group;
- (iii) allow the Eligible Persons to directly participate in the equity of the Company and motivate them to contribute to the future growth of Ekovest Group via a greater sense of belonging to the Group;
- (iv) reward the selected employees by allowing them to participate in the Company's profitability and eventually realise capital gains arising from any appreciation in the value of the Ekovest Shares; and
- (v) align the interest of the senior management and Non-Executive Directors of the Group to drive long term financial performance and shareholders' value enhancement via direct participation in the equity of the Company.

### **3.5 Proposed Amendments to M&A**

The Proposed Amendments to M&A is proposed to facilitate the implementation of the Proposed Share Split whereby, the authorized share capital of RM1,000,000,000 comprising 1,000,000,000 Shares will be amended to RM1,000,000,000 comprising 2,000,000,000 Ekovest Shares.

## **4. Information on the DUKE**

### **4.1 Background**

Construction of the existing DUKE commenced in October 2005 and was completed in stages. It was opened for access to the public in phases commencing January 2009. In April 2009, the existing DUKE was fully operational and tollable.

The existing DUKE's toll concession under the concession agreement dated 12 August 2004 between Kesturi and the Government ("**Concession Agreement**") commenced on 11 August 2005 ("**Commencement Date**") and ends on the 34<sup>th</sup> anniversary of the Commencement Date, being in August 2039.

The existing DUKE is an 18-kilometer long expressway toll road which provides connectivity to the East-West route of the Northern part of Kuala Lumpur. It effectively connects the North Klang Valley Expressway (“**NKVE**”) on the west side of Kuala Lumpur to the Kuala Lumpur-Karak Highway in the North and the Middle Ring Road 2 in the East.

The existing DUKE is made up of three (3) essential links – the Duta Link which runs from the NKVE’s Projek Lebuhraya Utara-Selatan’s Duta Toll plaza and Sri Hartamas towards the East, connecting to main roads such as Jalan Kuching and Jalan Sentul. The Ulu Kelang Link continues eastwards from the Duta Link and crosses radial roads such as Jalan Semarak, Jalan Setiawangsa and Jalan Pahang. The Karak Link provides access to high density areas including Gombak and Batu Caves and is an important gateway to Genting Highlands, Karak and the East coast of Malaysia.

The expressway features an advanced traffic information and management system, and is equipped with modern facilities such as variable messaging signs, central control and monitoring as well as electronic tolling.

Currently the DUKE is revenue generating and cash flow positive, of which revenue for the DUKE has been increasing on an annual basis. The toll revenue from the DUKE based on the audited financial statements of Kesturi for the last three (3) financial years and the latest financial period ended 31 December 2013 are as follows:

-

	FYE 31 December (audited)			Unaudited twelve (12) months financial period ended 31 December 2013
	2010	2011	2012	
Toll collections (RM’ million)	63.0	73.3	81.9	87.5
Toll collections growth rate (%)	85.3	16.3	11.7	6.8

In addition, on 3 December 2012, Kesturi had entered into a supplemental Concession Agreement with the Government (“**Supplemental Concession Agreement**”) in relation to the proposed extension of the DUKE (“**DUKE Phase-2**”).

Based on the Supplemental Concession Agreement, the concession period shall be for a period of 54 years commencing from 11 August 2005 and ending on the 54<sup>th</sup> anniversary of the Commencement Date and shall be further extended for a further period of ten (10) years subject to terms and conditions of the Concession Agreement and Supplemental Concession Agreement.

The total length (including interchanges and ramps) of the DUKE before and after the completion of DUKE Phase-2 is 18 kilometres and 34 kilometres, respectively.

The DUKE Phase-2 will be an elevated highway that will complement the existing DUKE, and comprises of two (2) additional links, namely the Sri Damansara Link and Tun Razak Link.

The Sri Damansara Link will commence at the Menjalara Interchange at Bandar Menjalara on the West and traverse Eastwards to the Segambut Interchange at Jalan Segambut whilst the Tun Razak Link will commence at Jalan Tun Razak near Institut Jantung Negara and traverse northwards along Jalan Pahang and Jalan 9/48A to connect to Jalan Gombak.



Both links are proposed to be dual carriageways and are approximately 9 kilometres in length (including interchanges and ramps) for the Tun Razak Link and approximately 7 kilometres in length (including interchanges and ramps) for the Sri Damansara Link.

The construction of Duke Phase-2 has commenced in December 2013 and is expected to be completed and tollable by end of year 2016.

#### **4.2 Concession Agreement and Supplemental Concession Agreement**

The Government had, vide its letter of exclusivity dated 10 May 2001, agreed to privatise the design, construction, operation and management of the DUKE ("**DUKE Project**") and award the DUKE Project to Kesturi.

On 12 August 2004, Kesturi entered into the Concession Agreement with the Government for the DUKE Project. The following are, amongst others, the principal salient terms of the Concession Agreement:-

- (i) the concession shall be for a period of 34 years commencing from 11 August 2005 and ending on the 34<sup>th</sup> anniversary, being 11 August 2039;
- (ii) the concession period may be extended, subject to agreement between Kesturi and the Government on the terms and conditions of such extension, no later than twelve (12) month prior to the expiry of the concession period;
- (iii) pursuant to the Concession Agreement, Kesturi shall be entitled to collect and retain tolls from motorists during the concession period. At the end of the concession period, Kesturi will hand over all rights and responsibilities in respect of the DUKE to the Government;
- (iv) Kesturi shall undertake the DUKE Project on a Built, Operate and Transfer ("**BOT**") basis. The summary of responsibilities of the BOT arrangement of the DUKE Project is as follows:-
  - (a) to provide financing and to undertake the design, upgrading of existing roads and construction of new sections of the DUKE;
  - (b) to operate (collect and retain tolls), manage and maintain the completed DUKE until expiry the concession period; and
  - (c) to hand over the DUKE to the Government upon expiry of the concession period.

Kesturi had subsequently on 3 December 2012 entered into a Supplemental Concession Agreement with the Government in relation to DUKE Phase-2.

The salient terms of the Supplemental Concession Agreement are as follows:-

- (i) the concession period shall be for a period of 54 years commencing from the effective date of the expressway under the Concession Agreement (i.e. 11 August 2005) and ending on the 54<sup>th</sup> anniversary of the effective date ("**Revised Concession Period**");
- (ii) the Revised Concession Period shall, subject to the terms and conditions of the Supplemental Concession Agreement, be extended for a further period of ten (10) years; and
- (iii) Kesturi shall procure the financing and will undertake the design and construction of the DUKE Phase-2.

Upon expiry of the Revised Concession Period, Kesturi shall hand over all rights and responsibility in respect of the entire DUKE to the Government.

Kesturi had, on 14 November 2013, received a letter from the Government for the fulfilment of the conditions precedent as stipulated in the Supplemental Concession Agreement dated 3 December 2012.

## **5. RISK FACTORS IN RELATION TO THE PROPOSED ACQUISITION**

### **5.1 Non-completion of the Proposed Acquisition**

There is a possibility that the SSA may not be completed due to failure in fulfilling the conditions precedent as set out in the SSA within the stipulated timeframe. In addition, the Proposed Acquisition is conditional upon the approvals from the shareholders as well as certain authorities or parties.

Nevertheless, Ekovest will take reasonable steps to ensure that the conditions precedents are met within the stipulated timeframe and that every effort is made to obtain all necessary approvals for the Proposed Acquisition in order to complete the Proposed Acquisition in a timely manner.

### **5.2 Forward looking statement risks**

The Purchase Consideration for the Proposed Acquisition was arrived at after taking into account the basis described in Section 2.1.3 above. The basis was derived from certain assumptions regarding future events and actions which the Directors expect to take place which include amongst others, Kesturi's performance over the course of the remaining concession period, which are forward looking in nature and may or may not materialise. Such expectations of future performance are inherently subject to uncertainties and possible contingencies and as such, there can be no certainty that such assumptions will materialise as projected or that the financial benefits from the Proposed Acquisition will commensurate with the Purchase Consideration paid. Although the Proposed Acquisition is expected to enhance the earnings of Ekovest Group going forward, there can be no assurance that the current financial performance of Kesturi will be sustainable in the future or that Kesturi will be able to generate sufficient revenue to offset the associated investment cost of the Balance 30% Interest. There is also no guarantee that the anticipated benefits from the Proposed Acquisition will be realized to generate reasonable returns to Ekovest in the future.

Any differences in the expectations of Ekovest Group from Kesturi's actual performance such as not being able to achieve the forecasted traffic flow of the DUKE, may affect the Ekovest Group's financial performance. Furthermore, in the event that there is any diminution in the value of the Company's investment in the Proposed Acquisition, the Group's financial results will ultimately be affected.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

### 5.3 The exit of joint venture partner

The operation and maintenance of a highway concession is subject to risks such as low traffic volume, expiration or termination of concession as well as escalation of operation and maintenance costs. Upon completion of the Proposed Acquisition and pursuant to the exit of MRCB as a joint-venture partner in Nuzen, such risks will be borne entirely by Ekovest and any impact to the profits of Ekovest as a result of the occurrence of such events will be fully recognized by Ekovest, through the full consolidation of the financial results of Nuzen and Kesturi.

Furthermore, following the Proposed Acquisition, any future financing requirements of Nuzen and Kesturi will be borne entirely by Ekovest which may place significant strain on the cashflows and/or gearing of the Group.

There can be no assurance that the exit of MRCB as a partner in Nuzen will not have a material adverse effect on Nuzen and Kesturi's financial performance.

## 6. PROSPECTS OF THE PROPOSED ACQUISITION

The DUKE will remain an attractive alternative and in some cases, a primary access for the upcoming developments in Northern Klang Valley and will be a major East-West link in the northern corridor linking major conurbations such as:-

- Sungai Buloh / Bandar Sri Damansara;
- Kepong / Bandar Sri Manjalara;
- Selayang / Jinjang;
- Kota Damansara / Taman Tun Dr. Ismail / Bukit Lanjan;
- Sri Hartamas / Mont Kiara;
- Kuala Lumpur;
- Gombak / Sentul;
- Ampang / Ulu Kelang;
- Wangsa Maju / Melawati; and
- Melawati / Ukay Perdana.

In addition to providing a major link between the conurbations above, the DUKE with its toll free and dual-three lane upgrade of the Karak Link has now provided a major linkage to the Ulu Yam area where existing and future developments near the Universiti Islam Antarabangsa Malaysia are being planned.

Further, the DUKE will play an important role as an expressway link between the North South Expressway and the East Coast Expressway. This will help alleviate the traffic congestion on the Middle Ring Road 2 and other state and federal roads as there is a dedicated expressway standard bypass from the East to the West and vice versa.

The future prospects of the DUKE will depend on traffic volume which will generally be driven by the following factors:-

#### (i) Malaysian economy and vehicle growth

Since the economy downturn in 1998, the growth in Malaysia's gross domestic product ("GDP") has been positive up until the subsequent economic downturn in 2008/2009 where the GDP shrank by -1.7% in 2009 but rebounded strongly at a rate of 7.2% in 2010 as well as 5.1% and 5.6% in 2011 and 2012 respectively. As a reference, the GDP growth for Selangor and Kuala Lumpur for 2012 was 7.1% and 7.2%, respectively. The real GDP growth of Malaysia for the eight (8) most recent years as well as estimates for 2013 and 2014 are shown below:-

<u>Year</u>	<u>GDP growth (%)</u>
2005	5.2
2006	5.9
2007	6.3
2008	4.6
2009	-1.7
2010	7.2
2011	5.1
2012	5.6

*(Source: Annual reports, Bank Negara Malaysia)*

<u>Year</u>	<u>GDP growth (%)</u>
2013 (estimate)	4.5 - 5.0
2014 (forecast)	5.0 - 5.5

*(Source: Economic Report 2013/2014, Ministry of Finance, Malaysia)*

Based on data from the Road Transport Department Malaysia, the number of new vehicle registration (motorcar and commercial vehicles) in Malaysia grew from 571,432 units in 2005 to 668,981 units in 2012, reflecting an annual average growth rate of 2.3%.

The anticipated positive GDP growth in 2014 and 2015, coupled with the population growth and employment growth as detailed in Section 6(ii) and Section 6(iii) below, are expected to contribute to a further increase in vehicle growth, particularly in Selangor and Kuala Lumpur.

*(Source: Road Transport Department Malaysia website)*

## **(ii) Population growth**

Based on data from the Department of Statistics, Malaysia, the population of Malaysia has grown from 24.7 million in 2002 to 29.3 million in 2012. This corresponds to an average annual growth rate of 1.7%.

Specifically, from 2010 to 2012, the combined population of Selangor and Kuala Lumpur grew at an average rate of 1.3% per annum to 7.4 million in 2012. The proportion of the combined population of Selangor and Kuala Lumpur to the total Malaysian population stood at 25.1% in 2012.

It is estimated that the Malaysian population will continue to grow to reach 30.5 million and 32.4 million in 2015 and 2020 respectively.

*(Source: Department of Statistics, Malaysia)*

## **(iii) Employment growth**

In 2000, Selangor and Kuala Lumpur's combined share of the total employment of the nation was 25.3%. Over the years, the ratio has seen a notable increase to 28.4% in 2012.

The table below depicts the amount of employed persons in Malaysia as a whole and specifically in Selangor and Kuala Lumpur:-

	2000 ('000)	2011 ('000)	Growth per annum
<b>Malaysia</b>	9,269.2	12,284.4	2.6%
<b>Kuala Lumpur</b>	662.8	811.8	1.9%
<b>Selangor</b>	1,681.5	2,679.2	4.3%

*(Source: Department of Statistics, Malaysia)*

## 7. FINANCIAL EFFECTS OF THE PROPOSALS

The Proposed Amendments to M&A will not have any effects on the issued and paid-up share capital, earnings and EPS, NA and gearing, substantial shareholders' shareholdings and convertible securities of the Ekovest Group.

For illustration purposes, the effects of the Proposed Acquisition, Proposed Share Split, Proposed Rights Issue With Warrants and Proposed ESOS on the issued and paid-up share capital, earnings and EPS, NA and gearing, substantial shareholders' shareholdings and convertible securities of the Ekovest Group shall be based on the following assumptions:-

- (i) Minimum Scenario - None of the Warrants are exercised and the maximum number of ESOS Options amounting to 15% of the issued and paid-up share capital of Ekovest are fully granted, vested and exercised; and
- (ii) Maximum Scenario – All of the Warrants are exercised and the maximum number of ESOS Options amounting to 15% of the issued and paid-up share capital of Ekovest are fully granted, vested and exercised.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

## 7.1 Share capital

The Proposed Acquisition will not have any effect on the share capital of Ekovest as the Purchase Consideration shall be satisfied entirely by cash.

The proforma effects of the Proposed Share Split, Proposed Rights Issue With Warrants and Proposed ESOS on the issued and paid-up share capital of the Company are as follows:-

	Par Value RM	Minimum Scenario		Maximum Scenario	
		No. of ordinary shares	RM	No. of ordinary shares	RM
<b><u>Issued and paid-up share capital</u></b>					
Issued and paid-up share capital as at the LPD	1.00	305,517,450	305,517,450	305,517,450	305,517,450
After the Proposed Share Split	0.50	611,034,900	305,517,450	611,034,900	305,517,450
To be issued pursuant to the Proposed Rights Issue With Warrants	0.50	244,413,960	122,206,980	244,413,960	122,206,980
	0.50	855,448,860	427,724,430	855,448,860	427,724,430
To be issued assuming full exercise of the Warrants	0.50	-	-	122,206,980	61,103,490
		855,448,860	427,724,430	977,655,840	488,827,920
To be issued assuming full exercise of the ESOS Options	0.50	128,317,329	64,158,665	146,648,376	73,324,188
<b>Enlarged issued and paid-up share capital</b>	<b>0.50</b>	<b>983,766,189</b>	<b>491,883,095</b>	<b>1,124,304,216</b>	<b>562,152,108</b>

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

## 7.2 Substantial shareholders' shareholdings

The Proposed Acquisition will not have any impact on the substantial shareholders' shareholdings of the Group as the Purchase Consideration shall be satisfied entirely by cash.

The substantial Shareholders of Ekovest as at the LPD and the effects of the Proposed Share Split, Proposed Rights Issue With Warrants and the Proposed ESOS on their shareholdings in Ekovest, for illustrative purposes, are as follows:-

### Minimum Scenario

Name	As at the LPD				(I) After the Proposed Share Split				(II) After (I) and the Proposed Rights Issue With Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Ekovest Shares	%	No. of Ekovest Shares	%	No. of Ekovest Shares	%	No. of Ekovest Shares	%
TSDLKH	61,672,175	20.19	37,250,000 <sup>(1)</sup>	12.19	123,344,350	20.19	74,500,000 <sup>(1)</sup>	12.19	172,682,090	20.19	104,300,000 <sup>(1)</sup>	12.19
Kota Jayasama Sdn Bhd	61,582,879	20.16	-	-	123,165,758	20.16	-	-	172,432,061	20.16	-	-
EHSB	37,250,000	12.19	-	-	74,500,000	12.19	-	-	104,300,000	12.19	-	-
Khoo Nang Seng	17,706,000	5.80	-	-	35,412,000	5.80	-	-	49,576,800	5.80	-	-
LSHH	11,955,600	3.91	3,870,300 <sup>(2)</sup>	1.27	23,911,200	3.91	7,740,600 <sup>(2)</sup>	1.27	33,475,680	3.91	10,836,840 <sup>(2)</sup>	1.27
Dato' Haris	-	-	61,582,879 <sup>(3)</sup>	20.16	-	-	123,165,758 <sup>(3)</sup>	20.16	-	-	172,432,061 <sup>(3)</sup>	20.16
Lim Keng Cheng	-	-	15,825,900 <sup>(4)</sup>	5.18	-	-	31,651,800 <sup>(4)</sup>	5.18	-	-	44,312,520 <sup>(4)</sup>	5.18
Lim Keng Guan	-	-	15,825,900 <sup>(4)</sup>	5.18	-	-	31,651,800 <sup>(4)</sup>	5.18	-	-	44,312,520 <sup>(4)</sup>	5.18
Lim Keng Hun	-	-	15,825,900 <sup>(4)</sup>	5.18	-	-	31,651,800 <sup>(4)</sup>	5.18	-	-	44,312,520 <sup>(4)</sup>	5.18
Lim Pak Lian	-	-	15,825,900 <sup>(4)</sup>	5.18	-	-	31,651,800 <sup>(4)</sup>	5.18	-	-	44,312,520 <sup>(4)</sup>	5.18

Name	(III) After (II) and assuming full exercise of the ESOS Options <sup>(5)</sup>			
	Direct		Indirect	
	No. of Ekovest Shares	%	No. of Ekovest Shares	%
TSDLKH	172,682,090	17.55	104,300,000 <sup>(1)</sup>	10.60
Kota Jayasama Sdn Bhd	172,432,061	17.53	-	-
EHSB	104,300,000	10.60	-	-
Khoo Nang Seng	49,576,800	5.04	-	-
LSHH	33,475,680	3.40	10,836,840 <sup>(2)</sup>	1.10
Dato' Haris			172,432,061 <sup>(3)</sup>	17.53
Lim Keng Cheng			44,312,520 <sup>(4)</sup>	4.50
Lim Keng Guan			44,312,520 <sup>(4)</sup>	4.50
Lim Keng Hun			44,312,520 <sup>(4)</sup>	4.50
Lim Pak Lian			44,312,520 <sup>(4)</sup>	4.50

**Notes:-**

- (1) Deemed interested by virtue of his direct interest in EHSB pursuant to Section 6A of the Act.  
(2) Deemed interested by virtue of its direct interest in Fablelite Sdn Bhd pursuant to Section 6A of the Act.  
(3) Deemed interested by virtue of its direct interest in Kota Jayasama Sdn Bhd pursuant to Section 6A of the Act.  
(4) Deemed interested by virtue of his/ her direct interest in LSHH and Fablelite Sdn Bhd pursuant to Section 6A of the Act.  
(5) Assuming no ESOS Options is allocated to Khoo Nang Seng, TSDLKH and Lim Keng Cheng.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**



**Maximum Scenario**

Name	As at the LPD				(I) After the Proposed Share Split				(II) After (I) and the Proposed Rights Issue With Warrants			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Ekovest Shares	%	No. of Ekovest Shares	%	No. of Ekovest Shares	%	No. of Ekovest Shares	%
TSDLKH	61,672,175	20.19	37,250,000 <sup>(1)</sup>	12.19	123,344,350	20.19	74,500,000 <sup>(1)</sup>	12.19	172,682,090	20.19	104,300,000 <sup>(1)</sup>	12.19
Kota Jayasama Sdn Bhd	61,582,879	20.16	-	-	123,165,758	20.16	-	-	172,432,061	20.16	-	-
EHSB	37,250,000	12.19	-	-	74,500,000	12.19	-	-	104,300,000	12.19	-	-
Khoo Nang Seng	17,706,000	5.80	-	-	35,412,000	5.80	-	-	49,576,800	5.80	-	-
LSHH	11,955,600	3.91	3,870,300 <sup>(2)</sup>	1.27	23,911,200	3.91	7,740,600 <sup>(2)</sup>	1.27	33,475,680	3.91	10,836,840 <sup>(2)</sup>	1.27
Dato' Haris	-	-	61,582,879 <sup>(3)</sup>	20.16	-	-	123,165,758 <sup>(3)</sup>	20.16	-	-	172,432,061 <sup>(3)</sup>	20.16
Lim Keng Cheng	-	-	15,825,900 <sup>(4)</sup>	5.18	-	-	31,651,800 <sup>(4)</sup>	5.18	-	-	44,312,520 <sup>(4)</sup>	5.18
Lim Keng Guan	-	-	15,825,900 <sup>(4)</sup>	5.18	-	-	31,651,800 <sup>(4)</sup>	5.18	-	-	44,312,520 <sup>(4)</sup>	5.18
Lim Keng Hun	-	-	15,825,900 <sup>(4)</sup>	5.18	-	-	31,651,800 <sup>(4)</sup>	5.18	-	-	44,312,520 <sup>(4)</sup>	5.18
Lim Pak Lian	-	-	15,825,900 <sup>(4)</sup>	5.18	-	-	31,651,800 <sup>(4)</sup>	5.18	-	-	44,312,520 <sup>(4)</sup>	5.18

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

Name	(III) After (II) and assuming full exercise of the Warrants				(IV) After (III) and assuming full exercise of the ESOS Options <sup>(5)</sup>			
	Direct		Indirect		Direct		Indirect	
	No. of Ekovest Shares	%	No. of Ekovest Shares	%	No. of Ekovest Shares	%	No. of Ekovest Shares	%
TSDLKH	197,350,960	20.19	119,200,000 <sup>(1)</sup>	12.19	197,350,960	17.55	119,200,000 <sup>(1)</sup>	10.60
Kota Jayasama Sdn Bhd	197,065,213	20.16	-	-	197,065,213	17.53	-	-
EHSB	119,200,000	12.19	-	-	119,200,000	10.60	-	-
Khoo Nang Seng	56,659,200	5.80	-	-	56,659,200	5.04	-	-
LSHH	38,257,920	3.91	12,384,960 <sup>(2)</sup>	1.27	38,257,920	3.40	12,384,960 <sup>(2)</sup>	1.10
Dato' Haris			197,065,213 <sup>(3)</sup>	20.16			197,065,213 <sup>(3)</sup>	17.53
Lim Keng Cheng			50,642,880 <sup>(4)</sup>	5.18			50,642,880 <sup>(4)</sup>	4.50
Lim Keng Guan			50,642,880 <sup>(4)</sup>	5.18			50,642,880 <sup>(4)</sup>	4.50
Lim Keng Hun			50,642,880 <sup>(4)</sup>	5.18			50,642,880 <sup>(4)</sup>	4.50
Lim Pak Lian			50,642,880 <sup>(4)</sup>	5.18			50,642,880 <sup>(4)</sup>	4.50

Notes:-

- (1) Deemed interested by virtue of his direct interest in EHSB pursuant to Section 6A of the Act.  
(2) Deemed interested by virtue of its direct interest in Fablelite Sdn Bhd pursuant to Section 6A of the Act.  
(3) Deemed interested by virtue of its direct interest in Kota Jayasama Sdn Bhd pursuant to Section 6A of the Act.  
(4) Deemed interested by virtue of his/ her direct interest in LSHH and Fablelite Sdn Bhd pursuant to Section 6A of the Act.  
(5) Assuming no ESOS Options is allocated to Khoo Nang Seng, TSDLKH and Lim Keng Cheng.

[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]

### 7.3 Earnings and earnings per share (“EPS”)

The Proposed Share Split will not have any impact on the earnings of the Ekovest Group but the EPS will be reduced proportionately as a result of the increase of the number of new Ekovest Shares pursuant to the Proposed Share Split.

The Proposed Rights Issue With Warrants and Proposed Acquisition are not expected to have an immediate material effect on the earnings of Ekovest for the financial year ending 30 June 2014 as the Proposals are expected to be completed by the third (3<sup>rd</sup>) quarter of 2014.

However, the consolidated EPS of Ekovest is expected to be diluted as a result of the increase in the number of Ekovest Shares in issue after the Proposed Rights Issue With Warrants. Nevertheless, the Board expects the Proposed Rights Issue With Warrants to contribute positively to the future earnings of the Group via the utilisation of the proceeds to fund the Proposed Acquisition or the development of EkoCheras, both of which are expected to contribute to the future earnings of the Group over the long-term. However, the impact of the Proposed Acquisition on the Group’s earnings and EPS will ultimately depend on, amongst others, the financial performance of Kesturi over the course of the DUKE’s remaining concession period.

For illustrative purposes, assuming the Proposed Acquisition was completed at the beginning of the FYE 30 June 2013, the proforma effect to the earnings and EPS of the Group are as follows:-

	Audited as at 30 June 2013 RM’000	After the Proposed Acquisition RM’000
Ekovest’s consolidated profit after tax and minority interest (“PATAMI”)	50,071	50,071
Effects of consolidation adjustments to exclude Nuzen Group’s consolidated LAT for the FYE 30 June 2013	-	(1,086)
Effects of full consolidation of Kesturi RPS A and Junior Bonds	-	30,543
Nuzen consolidated LAT for the FYE 31 December 2012	-	(38,116)
<b>Proforma PATAMI</b>	<b>50,071</b>	<b>41,412</b>
Number of Ekovest Shares		
- Minimum Scenario (’000)	305,517	983,766 <sup>(1)</sup>
- Maximum Scenario (’000)		1,124,304 <sup>(2)</sup>
EPS (sen)		
- Minimum Scenario	16.39	4.21 <sup>(1)</sup>
- Maximum Scenario		3.68 <sup>(2)</sup>

Notes:-

- (1) After the Proposed Share Split and assuming none of the Warrants are exercised and the maximum number of ESOS Options amounting to 15% of the issued and paid-up share capital of Ekovest are fully granted, vested and exercised.
- (2) After the Proposed Share Split and assuming all of the Warrants are exercised and the maximum number of ESOS Options amounting to 15% of the issued and paid-up share capital of Ekovest are fully granted, vested and exercised.

It should be noted the illustrative proforma effects to the earnings and EPS above were calculated based on the aggregation of the audited results of the Group for the FYE 30 June 2013 (excluding the earnings contribution from Nuzen Group in the said financial year) and the earnings contribution from the Nuzen Group based on the audited results of Nuzen Group for the FYE 31 December 2012 (assuming 100% of Nuzen Group was consolidated in the said financial year) as well as elimination of interest expense for Kesturi RPS A and Junior Bonds. As such, the above illustration may not represent a true reflection of the consolidated earnings of the Group for the FYE 30 June 2014 after the completion of the Proposed Acquisition. There may be differences due to, amongst others, accounting adjustments which may be undertaken upon completion of the Proposed Acquisition in accordance with the Financial Reporting Standards issued by the Malaysian Accounting Standards Board (in the event the Proposed Acquisition is completed within the said financial year).

The Proposed ESOS is not expected to have any immediate effect on the EPS of the Group until such time when the ESOS Options are granted. Any potential effect on the EPS of the Group in the future will depend upon, inter-alia, the number of ESOS Options granted and exercised, the Exercise Price of the ESOS Options and the expense arising from the granting of ESOS Options under Financial Reporting Standards 2 (“**FRS 2**”).

The quantum of such impact could not be determined at this juncture as it is dependent on, the factors mentioned above. However, it should be noted that the expense arising from the granting of the ESOS Options does not represent a cash outflow of the Company as it is merely an accounting treatment. The Board has taken note of the potential impact of FRS 2 on the earnings of the Group and shall take proactive measures to manage the earnings impact in the allocation and granting of the ESOS Options to the Eligible Persons.

**[THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK]**

#### 7.4 Net assets ("NA") and gearing

Based on the latest audited consolidated financial statements of Ekovest Group for the FYE 30 June 2013, the proforma effects of the Proposals on the consolidated NA per share and gearing of the Group are as follows:-

##### Minimum Scenario

		(I)	(II)	(III)	(IV)
	Audited as at 30 June 2013	After the Proposed Share Split	After (I) and the Proposed Rights Issue <sup>(1)</sup>	After (II) and the Proposed Acquisition	After (III) and assuming full exercise of the ESOS Options <sup>(5)</sup>
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Share capital	305,517	305,517	427,724	427,724	491,883
Share premium	245,599	245,599	364,806 <sup>(2)</sup>	364,806	509,805 <sup>(6)</sup>
Warrant reserve	-	-	40,328 <sup>(3)</sup>	40,328	40,328
Capital Reserve	242	242	242	242	242
Retained profits	228,066	228,066	187,738 <sup>(4)</sup>	234,595	176,852
<b>Shareholders equity / NA</b>	<b>779,424</b>	<b>779,424</b>	<b>1,020,838</b>	<b>1,067,695</b>	<b>1,219,110</b>
Number of ordinary shares ('000)	305,517	611,035	855,449	855,449	983,766
NA per share (RM)	2.55	1.28	1.19	1.25	1.24
Total borrowings	774,042	774,042	774,042	1,798,263	1,798,263
Gearing ratio (times)	0.99	0.99	0.76	1.68	1.48

##### Notes:-

(1) Computed based on an illustrative issue price of RM1.00 per Rights Share.

(2) After deducting estimated expenses to be incurred for the Proposed Rights Issue With Warrants of approximately RM3.0 million.

(3) Based on the issuance of 122,206,980 Warrants at an allocated fair value of RM0.33 per Warrant.

(4) After accounting for the warrants reserve based on the issuance of 122,206,980 Warrants at an allocated fair value of RM0.33 per Warrant.

(5) Assuming that the ESOS Options are granted with an exercise price of RM1.18 per ESOS Option, being a discount of 10% to the TEAP of Ekovest Shares of RM1.3186 per Ekovest Share based on the 5-day VWAP of the Shares up to and including the LPD.

(6) After accounting for the 128,317,329 ESOS Options at an allocated fair value of RM0.45 per ESOS Option.

### Maximum Scenario

		(I)	(II)	(III)	(IV)	(V)
	Audited as at 30 June 2013	After the Proposed Share Split	After (I) and the Proposed Rights Issue <sup>(1)</sup>	After (II) and the Proposed Acquisition	After (III) and assuming full exercise of the Warrants <sup>(5)</sup>	After (IV) and assuming full exercise of the ESOS Options <sup>(6)</sup>
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Share capital	305,517	305,517	427,724	427,724	488,828	562,152
Share premium	245,599	245,599	364,806 <sup>(2)</sup>	364,806	527,342	693,054 <sup>(7)</sup>
Warrant reserve	-	-	40,328 <sup>(3)</sup>	40,328	-	-
Capital Reserve	242	242	242	242	242	242
Retained profits	228,066	228,066	187,738 <sup>(4)</sup>	234,595	234,595	168,603
<b>Shareholders equity / NA</b>	<b>779,424</b>	<b>779,424</b>	<b>1,020,838</b>	<b>1,067,695</b>	<b>1,251,007</b>	<b>1,424,051</b>
Number of ordinary shares ('000)	305,517	611,035	855,449	855,449	977,656	1,124,304
NA per share (RM)	2.55	1.28	1.19	1.25	1.28	1.27
Total borrowings	774,042	774,042	774,042	1,798,263	1,798,263	1,798,263
Gearing ratio (times)	0.99	0.99	0.76	1.68	1.44	1.26

#### Notes:-

- (1) Computed based on an illustrative issue price of RM1.00 per Rights Share.
- (2) After deducting estimated expenses to be incurred for the Proposed Rights Issue With Warrants of approximately RM3.0 million.
- (3) Based on the issuance of 122,206,980 Warrants at an allocated fair value of RM0.33 per Warrant.
- (4) After accounting for the warrants reserve based on the issuance of 122,206,980 Warrants at an allocated fair value of RM0.33 per Warrant.
- (5) Computed based on an illustrative exercise price of the Warrants of RM1.50 per Share.
- (6) Assuming that the ESOS Options are granted with an exercise price of RM1.18 per ESOS Option, being a discount of 10% to the TEAP of Ekovest Shares of RM1.3186 per Ekovest Share based on the 5-day VWAP of the Shares up to and including the LPD.
- (7) After accounting for the 146,648,376 ESOS Options at an allocated fair value of RM0.45 per ESOS Option.

## **7.5 Convertible securities**

As at the date of this announcement, the Company does not have any existing convertible securities.

## **8. HIGHEST PERCENTAGE RATIOS APPLICABLE**

The highest percentage ratio applicable to the Proposed Acquisition as per Paragraph 10.02(g) Chapter 10 of the Listing Requirements is 29.25% being the aggregate value of the Purchase Consideration compared to the NA of the Ekovest Group based on the Company's latest audited financial statements for the FYE 30 June 2013.

## **9. APPROVALS REQUIRED**

The Proposals are subject to the following approvals being obtained:-

- (i) the approval of Bursa Securities for:-
  - (a) the admission of the Warrants to the Official List of Bursa Securities and for the listing of and quotation for the Warrants;
  - (b) the Proposed Share Split; and
  - (c) the listing of and quotation for the Ekovest Shares and Rights Shares to be issued pursuant to the Proposed Share Split and Proposed Rights Issue With Warrants respectively as well as the new Ekovest Shares to be issued pursuant to the exercise of the Warrants and ESOS Options on the Main Market of Bursa Securities;
- (ii) the approval of shareholders of Ekovest at an Extraordinary General Meeting ("EGM") to be convened for the Proposals;
- (iii) the Government for the change in the ultimate shareholders of Kesturi in relation to the Proposed Acquisition;
- (iv) the written consent of CIMB Commerce Trustee Berhad (as trustee for and on behalf of holders of the Kesturi Junior Bonds and Sukukholders) for the sale, assignment, transfer and conveyance of the Balance 30% Interest, Kesturi RPS A and Junior Bonds by MRCB to the Purchasers in relation to the Proposed Acquisition; and
- (v) any other relevant authorities and/or parties, if required.

The Proposed Share Split and Proposed Amendments to M&A are inter-conditional upon one another but not conditional or inter-conditional upon the Proposed Acquisition or the Proposed Rights Issue With Warrants or the Proposed ESOS. The Proposed Acquisition is conditional upon the Proposed Rights Issue With Warrants but the Proposed Rights Issue With Warrants is not conditional upon the Proposed Acquisition. The Proposed ESOS is not conditional or inter-conditional upon the Proposed Acquisition or the Proposed Rights Issue With Warrants.

The Proposals are not conditional or inter-conditional upon any other corporate exercises being or proposed to be undertaken by the Company.

## **10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST**

### **Proposals (save for Proposed ESOS)**

None of the Directors and/or major shareholders of Ekovest and/or persons connected with the Directors and/or major shareholders of Ekovest have any interest, either direct or indirect, in the Proposed Acquisition, Proposed Share Split, Proposed Rights Issue With Warrants and Proposed Amendments to M&A beyond their respective entitlements under the Proposed Rights Issue With Warrants for which all shareholders of Ekovest are similarly entitled to, including the right to apply for excess Rights Shares.

### **Proposed ESOS**

All the Directors of the Company (collectively referred to as the “**Interested Directors**”) and major shareholders are deemed interested in the Proposed ESOS by virtue of their eligibility for the ESOS Options in their capacity as Directors and major shareholders of Ekovest in respect of their specific allocation as well as specific allocations to persons connected to them.

Accordingly, the Interested Directors have abstained and will continue to abstain from all deliberations and voting in respect of any specific allocation of ESOS Options to themselves respectively as well as the specific allocations to any persons connected with them at the relevant Board meetings of the Company.

In addition, the Interested Directors and major shareholders will continue to abstain from voting in respect of their direct and/or indirect shareholdings in Ekovest, on the resolutions pertaining to their respective specific allocations of ESOS Options as well as the specific allocations to any persons connected with them under the Proposed ESOS at the EGM to be convened.

Further, the Interested Directors and major shareholders have also undertaken that they shall ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings in Ekovest on the resolutions pertaining to any specific allocations of ESOS Options to themselves respectively as well as the specific allocations to any persons connected with them under the Proposed ESOS at the EGM to be convened.

Save as disclosed above, none of the Directors, major shareholders or persons connected to them has any interest, direct or indirect, in the Proposed ESOS.

## **11. BOARD OF DIRECTORS' STATEMENT**

The Board, having considered the current and prospective financial position and capacity of the Group and after taking into consideration the rationale and effects of the Proposals, is of the opinion that the Proposals are in the best interests of the Group.

## **12. APPLICATION TO THE RELEVANT AUTHORITIES**

Application(s) to the relevant authorities are expected to be submitted within two (2) months from the date of this announcement.

## **13. ADVISER**

AmInvestment Bank has been appointed as Adviser for the Proposals.



**14. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring any unforeseen circumstance, the Board expects the Proposals to be completed by the third (3<sup>rd</sup>) quarter of calendar year 2014.

**15. DOCUMENTS FOR INSPECTION**

The SSA will be made available for inspection during normal business hours at Ekovest's registered office at Ground Floor, Wisma Ekovest, 118 Jalan Gombak, 53000 Kuala Lumpur, from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 29 January 2014.