EKOVEST BERHAD

(Company No. 132493-D)
(Incorporated in Malaysia under the Companies Act, 1965)

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

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Notes to the Interim Financial Report (4th Quarter - 30 June 2014)

A1 Basis of Preparation

The condensed interim financial statements are unaudited and have been prepared in compliance with the Financial Reporting Standards ('FRS') 134 : Interim Financial Reporting and paragraph 9.22 and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad. The condensed interim financial statements should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2013.

1.1 Changes in Accounting Policies

The significant accounting policies, methods of computation and basis of consolidation adopted are consistent with those of the most recent audited financial statements for the year ended 30 June 2013 except for the adoption of new FRSs, amendments to FRSs and IC interpretations ("IC") which are relevant to its operations and effective for the financial periods beginning on or after 1 January 2012 as set out below :-

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 7, *Disclosures – Transfers of Financial Assets*
- Amendments to FRS 101, *Presentation of Items of Other Comprehensive Income*
- Amendments to FRS 112, *Deferred Tax – Recovery of Underlying Assets*

The adoption of the new FRSs, Interpretations and amendments have no material impact to the Group consolidated financial statements of the current and prior periods financial statements upon its first adoption.

1.2 Malaysian Financial Reporting Standards ("MFRS")

On 19 November 2011, the Malaysian Accounting Standards Board ("MASB") issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards.

The MFRS is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 Agriculture and IC Interpretation 15 Agreements for Construction of Real Estate, including its parent, significant investor and venture (herein referred to as 'Transitioning Entities').

Transitioning Entities will be allowed to defer adoption of the MFRS. On 7 August 2013, the MASB announced that Transitioning Entities would be required to adopt the MFRS for annual periods beginning on or after 1 January 2015.

The Group falls within the definition of Transitioning Entities and has opted to defer adoption of the New MFRS to 1 July 2015.

A2 Audit Report

The preceding annual financial statements of the group were not qualified.

A3 Seasonal or Cyclical Factors

Although seasonal or cyclical changes have minimal impact on the operations of the Group, the business is nevertheless susceptible to the vagaries of the construction industry.

A4 Unusual Items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the period under review.

A5 Changes in the Estimates of Amount Reported Previously With Material Effect in Current Interim Period

Not applicable.

A6 Issuances, Cancellations, Repurchases, Resale and Repayments of Debt and Equity Securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review save and except as follows:

Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd ("**Kesturi**"), our subsidiary, had on 2 December 2013 issued RM2,300 million in nominal value Islamic medium term notes ("**Sukuk**") and RM180 million redeemable secured junior bonds ("**Junior Bonds**"). The Sukuk and Junior Bonds have been accorded ratings of AA-$_{IS}$ and A- with stable outlook, respectively by Malaysian Rating Corporation Berhad.

The aggregate proceeds from the issuance of the Sukuk and Junior Bonds will be utilised for, inter-alia the following:-

(i) For redemption of Kesturi's existing RM820.0 million nominal value Islamic medium term notes ("**Existing Sukuk**") and existing RM50.0 million nominal value redeemable secured junior bonds;

(ii) To fund the initial deposit in the finance service reserve account maintained under the Sukuk programme;

(iii) For payment of ancillary fees, costs, deposits and expenses in relation to the redemption of the Existing Sukuk and establishment of the Sukuk programme and Junior Bonds; and

(iv) To part-finance the construction costs, development costs, financing costs, fees and expenses in relation to DUKE Phase-2 pursuant to the supplemental concession agreement dated 3 December 2012 entered into between Kesturi and the Government of Malaysia.

A7 Dividend

The Shareholders have on 27 December 2013 approved the payment of a first and final single tier dividend of 1 sen per share amounting to RM3,055,175 for the financial year ended 30 June 2013. The said dividend was paid on 28 February 2014 to members whose name appear in the Record of Depositors on 29 January 2014.

A8 Segmental Reporting

Segmental information is presented in respect of the Group's business segment. Transactions between segments were entered into in the normal course of business and were established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

Year Ended 30 June 2014

	Construction RM '000	Investment holding RM '000	Toll operations RM '000	Total RM '000
Revenue	137,063	2,356	89,407	228,826
Segment results	28,408	3,409	77,199	109,016
Finance costs	-	(3,943)	(201,628)	(205,571)
Profit/(loss) before tax	28,408	(534)	(124,429)	(96,555)
Consolidation adjustment				105,579
				9,024

Year Ended 30 June 2013

	Construction RM '000	Investment holding RM '000	Toll operations RM '000	Total RM '000
Revenue	122,582	3,731	14,653	140,966
Segment results	26,178	45,535	12,216	83,929
Finance costs	-	(8,815)	(19,138)	(27,953)
Profit/(loss) before tax	26,178	36,720	(6,923)	55,976
Consolidation adjustment				10,769
				66,745

A9 Revaluation of Property, Plant and Equipment

There were no amendments in the valuation amount of revalued assets brought forward to the current quarter ended compared to most recent annual financial statements.

A10 Material Subsequent Event

Please refer to *Note B7* for the material event subsequent to the quarter and year ended 30 June 2014.

A11 Changes in Composition of the Group

Wira Kristal Sdn Bhd ("Wira Kristal"), a wholly-owned subsidiary of the Company, had on 30 June 2014 completed the acquisition of 1,500,000 ordinary shares of RM1.00 each in Nuzen Corporation Sdn Bhd (Nuzen) and 13,500,000 redeemable preference shares of RM1.00 each in Nuzen representing the remaining 30% equity interest in Nuzen not held by Wira Kristal. Following the completion of the above acquisition, Nuzen is now a wholly-owned subsidiary of the Company.

Other than the above changes, there were no other changes in the composition of the Company or the Group for the quarter and year ended 30 June 2014 under review.

A12 Contingent Liabilities

Contingent liabilities of the Group as at 30 June 2014 are as follows:-

	RM '000
Corporate guarantees given to licensed financial institutions for credit facilities granted to subsidiaries	37,717
Deed of undertaking pursuant to the RM2,300 million (in nominal value) Islamic medium terms notes issued by Kesturi	60,000
	97,717

A13 Capital Commitments

Capital commitments of the Group as at 30 June 2014 are as follows -

	RM '000
Approved capital expenditure in respect of the purchase of properties Contracted but not provided for	768

A14 Significant Related Party Transactions

The Group has significant related party transactions with companies in which certain directors of the Company have interests, as follows:

	As at 30 June 2014 RM '000
With company in which certain Directors of the Company, have interests:	
Wengcon Marketing Sdn Bhd	2,816

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Notes to the Interim Financial Report (4th Quarter - 30 June 2014)

B1 Review of Performance for the Year

For the financial year ended 30 June 2014, the Group recorded a revenue of RM228.826 million with a profit before tax of RM9.024 million as compared to a revenue of RM140.966 million and a profit before tax of RM66.746 million for the preceding year corresponding period. The higher revenue for the reporting year was mainly due to the full year consolidation of the toll operations segment as compared to prior year where the consolidation was only for a period of two(2) months. However, the decrease in consolidated profit before tax was mainly due to the loss arising from the toll operations which carries high finance cost.

B2 Review of Performance for the Quarter

The Group reported a profit before taxation of RM5.689 million from a revenue of RM45.876 million as compared to the previous quarter of RM0.720 million profit before tax from a revenue of RM63.433 million. The increase in profit before tax despite a lower revenue for the period reported was mainly due to the fair value adjustments on the new financial liabilities in the toll operations segment.

B3 Prospects

The Board expects the construction of the DUKE Phase-II and the on-going two (2) contracts for the proposed widening of PLUS Highway under Package B & D to contribute to the Group's construction turnover and profitability. The commencement of property development activities is also expected to increase the Group’s turnover and profitability in the coming financial year.

Barring any unforeseen circumstances, the Directors are of the opinion that the Group’s performance would remain satisfactory in the coming financial year.

B4 Forecast/Profit Guarantee

There is no profit guarantee or financial forecast for the current quarter and for the year.

B5 Taxation

	GROUP	
	CURRENT QUARTER ENDED 30 JUNE 2014 RM ‘000	**12 MONTHS ENDED 30 JUNE 2014 RM ‘000**
Current Period provision		
- Tax expense	1,425	2,139
- Deferred tax	(12,116)	(12,116)
Under provision in respect of prior year		
- Tax expense	1,043	1,014
- Deferred tax	4,815	4,815
	(4,833)	(4,148)

The effective tax rate of the Group for the current quarter and year ended 30 June 2014 is lower compared to statutory tax rate, mainly due to the recognition of deferred tax asset during the year and the fair value adjustment on the financial liabilities recognized which is not subject to tax.

B6 Profit on Sale of Investment and/or Properties

There were no sale of investment or properties during the quarter and the year ended 30 June 2014.

B7 Corporate Exercises

On behalf of the Board of Directors of Ekovest ("Board"), AmInvestment Bank Berhad ("AmInvestment Bank"), had on 29 January 2014 announced that the Company proposes to undertake the following:-

(i) proposed acquisition by:-

(a) Wira Kristal, a wholly-owned subsidiary of the Company, of 1,500,000 ordinary shares of RM1.00 each in Nuzen and 13,500,000 redeemable preference shares of RM1.00 each in NUzen representing the remaining 30% equity interest in Nuzen not held by Wira Kristal;

(b) Ekovest Construction Sdn Bhd ("ECSB"), a wholly-owned subsidiary of the Company, of 585 series a redeemable preference shares of RM1.00 each in Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd ("Kesturi"); and

(c) Ekovest of RM54,000,000 nominal value redeemable secured junior bonds in Kesturi ("Kesturi Junior Bonds"),

from Malaysian Resources Corporation Berhad ("MRCB") for a total cash purchase consideration of RM228.0 million ("Proposed Acquisition");

(ii) proposed share split involving the subdivision of every one (1) existing ordinary share of RM1.00 each in Ekovest held by shareholders of the Company on an entitlement date to be determined later into two (2) ordinary shares of RM0.50 each in Ekovest ("Subdivided 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 Subdivided Shares held after the Proposed Share Split as at an entitlement date to be determined later ("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**").

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Further to the announcement above, AmInvestment Bank, on behalf of the Board, announced that:-

(i) that the Share Split has been completed on 2 June 2014 following the listing and quotation of the Subdivided Shares on the Main Market of Bursa Malaysia Securities Berhad with effect from 9.00 a.m. on Monday, 2 June 2014;

(ii) the Acquisition has been completed on 30 June 2014. Following the completion of the Acquisition, Nuzen is now a wholly-owned subsidiary of Ekovest; and

(iii) the Rights Issue With Warrants has been completed following the listing and quotation of 244,413,960 Rights Shares together with 122,206,980 Warrants on the Main Market of Bursa Malaysia Securities Berhad on 30 June 2014.

The status of utilisation of proceeds raised from the Rights Issue With Warrants are as follows:

Purpose	**Proposed Utilisation (RM '000)**	**Actual Utilisation (RM '000)**	**Balance (RM '000)**	**Deviation (RM '000)**	**Intended Timeframe for Utilisation**	**Notes**
Acquisition	205,200	205,200	Nil	Nil	Within 12 months	(a)
Working capital	36,214	-	36,214	Nil	Within 6 months	(b)
Estimated Expenses	3,000	-	3,000	Nil	Within 6 months	(c)
	244,414	205,200				

Notes:-

(a) Fully utilised to satisfy the balance purchase consideration for the Acquisition amounting to RM205.2 million.

(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) Include professional fees and fees payable to the relevant authorities, printing cost of circular and abridged prospectus, advertising and miscellaneous expenses. Any shortfall or excess in funds allocated for estimated expenses will be funded from or used for the Group's working capital requirements.

B8 Group Borrowings

	GROUP	
AMOUNT REPAYABLE WITHIN ONE YEAR	**CURRENT QUARTER ENDED 30 JUNE 2014 RM '000**	**PRECEDING YEAR ENDED 30 JUNE 2013 RM '000**
Bank overdraft-secured	33,096	29,452
-unsecured	19,564	19,166
Bank Term Loans-secured	408	344
Revolving credit-unsecured	62,000	30,000
	115,068	78,962

	GROUP	
AMOUNT REPAYABLE AFTER ONE YEAR	**CURRENT QUARTER ENDED 30 JUNE 2014 RM '000**	**PRECEDING YEAR ENDED 30 JUNE 2013 RM '000**
Bank Term Loans-secured	129,941	56,599
Islamic medium term notes	1,658,805	531,159
	1,788,746	587,758

B9 Material Litigation

Save as disclosed below as at 30 June 2014, neither the Company nor its subsidiaries are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant and the Board are not aware and do not have any knowledge of any proceedings, pending or threatened against the Group or any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company and its subsidiaries :

A dispute arose between our Company ("**Plaintiff**") and Shapadu Construction Sdn Bhd ("**Shapadu**") or ("**Defendant**") in respect of five (5) packages of sub-contract work under the New North Klang Straits Bypass Highway Project ("**Project**"). The holding company of the Defendant i.e. Lebuhraya Shapadu Sdn Bhd ("**Lebuhraya Shapadu**"), is the employer of the Project.

Our claims against the Defendant are, inter alia, the following:

(i) the sum of RM29,558,720.93 on quantum meruit for loss and damage under the sub-contract; and/or alternatively; and

(ii) the sum of RM7,459,356.15 being the uncertified value of work done and the sum of RM8,217,960.68 being retention monies in respect of work executed and the value of goods and material delivered under the sub-contract.

The Defendant's counter claims against our Company are, *inter alia*, the following:

(i) the sum of RM33,010,000.00 allegedly being the liquidated ascertained damages ("**LAD**") due to the Defendant;

(ii) the sum of RM30,700,000.00 being the LAD due to Lebuhraya Shapadu;

(iii) the sum of RM2,008,868.93 as an indemnity for failure to carry-out and maintain the work;

(iv) the sum of RM22,189,859.75 as an indemnity for the cost of completion;

(v) the sum of RM8,298,455.65 as indemnity for damages suffered by Lebuhraya Shapadu in completing the work; and

(iv) the sum of RM2,006,101.39 as an indemnity for the loss and expense suffered by Lebuhraya Shapadu.

On 1 August 2000, we issued a notice to arbitrate and the hearing of the arbitration commenced on 14 August 2006. Both the Plaintiff and Defendant have closed their cases and the hearing for the arbitration was adjourned to a date to be fixed. The arbitration proceeding is kept in abeyance pending settlement of the dispute.. As at the LPD, the parties have yet to finalise a settlement proposal.

Our Directors are of the opinion that the financial impact on our Group is minimal since we had sub-contracted all the relevant work to a third party on a "back-to-back" basis, and the third party sub-contractor has agreed to indemnify us against any losses or damages that we may suffer in the event Shapadu's counter claim is allowed by the court.

Further, we had sought legal advice in respect of the counter claim made by Shapadu and our solicitors are of the opinion that we have a reasonable prospect of defending the claim particularly when the employer has not taken action against the Defendant since most of the claims are on indemnity basis. On that premises, this dispute with Shapadu is not envisaged to have any material adverse impact on the financial position of our Group.

B10 Dividend

The Directors have proposed, subject to shareholders approval in the forth coming annual general meeting to be convened, a first and final single tier dividend of 2 sen per share. The date for the payment of dividend shall be announced in due course.

B11 Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter	Preceding year corresponding quarter	12 months to	12 months to
	30 June 2014 RM '000	30 June 2013 RM '000	30 June 2014 RM '000	30 June 2013 RM '000
(a) Basic earnings per share				
Net profit attributable to ordinary shareholders	36,996	18,788	47,082	50,072
Weighted average number of ordinary share issue ('000)	631,403	611,034*	631,403	611,034*
Basic earnings per ordinary share (sen)	5.86	3.07	7.46	8.19
(b) Diluted earnings per ordinary Share (sen)	N/A	N/A	N/A	N/A

Remarks * : The weighted average number of ordinary shares have been adjusted to reflect the change in par value from RM1.00 to RM0.50 per share.

B12 Realised and Unrealised Retained Earnings

The retained earnings as at 30 June 2014 are analysed as follows:

	As at 30 JUNE 2014 RM '000	As at 30 JUNE 2013 RM '000
Realised	218,545	172,179
Unrealised	48,518	55,887
Total retained earnings	267,063	228,066