

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

PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF EKOVEST

1. INTRODUCTION

On behalf of the Board of Directors of Ekovest (“**Board**”), RHB Investment Bank Berhad (“**RHB Investment Bank**”) and Astramina Advisory Sdn Bhd (“**Astramina**”) wish to announce that the Company proposes to undertake a private placement of up to 10% of the total number of issued shares of Ekovest (“**Proposed Private Placement**”).

Further details of the Proposed Private Placement are set out in the ensuing sections of this Announcement.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Section 76 of the Companies Act 2016 obtained from the shareholders of the Company at the Company’s 33rd annual general meeting (“**AGM**”) convened on 27 November 2018, whereby the Board has been authorised to issue and allot new ordinary shares in Ekovest (“**Ekovest Shares**” or “**Shares**”) not exceeding 10% of the total number of issued shares of Ekovest for the time being (“**General Mandate**”). The General Mandate shall continue to be in force until the conclusion of the next AGM of the Company.

2.1 Placement size

The Proposed Private Placement will entail the issuance of up to 256,446,959 new Ekovest Shares (“**Placement Shares**”), representing up to 10% of the total number of issued shares of Ekovest.

As at 22 April 2019, being the latest practicable date prior to the date of this Announcement (“**LPD**”), the Company has the following outstanding securities:

- (i) 2,140,013,593 Ekovest Shares;
- (ii) 120,330,000 options which have been offered to the eligible employees and directors of Ekovest and its subsidiaries (“**Ekovest Group**” or “**Group**”) pursuant to the employees’ share option scheme of Ekovest (“**ESOS**”) (“**ESOS Options**”). The holders of the ESOS Options have the right to subscribe for new Ekovest Shares at an exercise price of RM1.30 per Ekovest Share; and
- (iii) 304,125,997 warrants which were issued by the Company on 26 June 2014 and 27 February 2017 and constituted by the deed poll dated 16 May 2014 (“**Deed Poll**”) (“**Warrants**”). The Warrants entitle the registered holder of the Warrants to subscribe for new Ekovest Share at an exercise price of RM0.48 per Ekovest Share at any time until 25 June 2019, subject to the provisions of the Deed Poll.

Based on the abovementioned outstanding securities of the Company, the minimum and maximum number of Placement Shares to be issued under the Proposed Private Placement are illustrated in the table below:

	Minimum Scenario ⁽¹⁾	Maximum Scenario ⁽²⁾
	No. of Shares	No. of Shares
Total issued share capital as at LPD	2,140,013,593	2,140,013,593
Add: To be issued pursuant to the full exercise of the outstanding ESOS Options	-	120,330,000
Add: To be issued pursuant to the full exercise of the outstanding Warrants	-	304,125,997
To be issued pursuant to the Proposed Private Placement	214,001,359	256,446,959

Notes:

- (1) Assuming none of the outstanding ESOS Options and Warrants as at LPD are exercised before the implementation of the Proposed Private Placement ("**Minimum Scenario**").
- (2) Assuming all of the outstanding ESOS Options and Warrants as at LPD are fully exercised before the implementation of the Proposed Private Placement ("**Maximum Scenario**").

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement would depend on the total number of issued shares of Ekovest immediately preceding the implementation of the Proposed Private Placement.

2.2 Placement arrangement

The Placement Shares will be placed out to independent third party investor(s) ("**Placees**") to be identified at a later date. The Placees shall be persons or parties who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

In accordance with Paragraph 6.04(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**"), the Placement Shares are not intended to be placed to the following persons:

- (i) a director, major shareholder or chief executive of the Company ("**Interested Persons**");
- (ii) a person connected with the Interested Persons; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The identity of the Placees, the number of Placement Shares as well as the issue price for the Placement Shares will be determined and finalised by the Board at a later date.

Subject to, among others, the prevailing market conditions and investors' interest at the point of implementation, the Proposed Private Placement may be implemented in tranches within six (6) months from the date of approval from Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities, or any extended period as may be approved by Bursa Securities.

2.3 Basis and justification for the issue price of the Placement Shares

The issue price(s) of the Placement Shares for each tranche of the Proposed Private Placement will be determined and fixed by the Board and announced later by the Company after receiving the relevant approvals for the Proposed Private Placement (“Price-Fixing Date”).

The issue price of the Placement Shares may be fixed at a discount of not more than 10% to the volume weighted average market price (“VWAMP”) of Ekovest Shares for the five (5) market days immediately preceding the Price-Fixing Date.

For illustration purposes, the illustrative issue price of the Placement Shares is assumed to be RM0.79 per Placement Share, which approximates the five (5)-day VWAMP of Ekovest Shares up to and including the LPD of RM0.7937.

2.4 Ranking of the Placement Shares

The Placement Shares shall, upon issuance and allotment, rank equally in all respects with the then existing Ekovest Shares, save and except that the Placement Shares will not be entitled to any dividend, right, allotment and/or any other distribution that may be declared, made or paid prior to the date of allotment of the Placement Shares.

2.5 Listing and quotation of the Placement Shares

An application will be made to Bursa Securities for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities.

2.6 Utilisation of proceeds

Based on the illustrative issue price of RM0.79 per Placement Share, the Company is expected to raise gross proceeds of up to RM169,061,074 and RM202,593,098 under the Minimum Scenario and Maximum Scenario respectively. The gross proceeds are expected to be utilised in the following manner:

Details of utilisation	Note	Minimum Scenario RM	Maximum Scenario RM	Timeframe for utilisation *
Repayment of bank borrowings	(i)	100,000,000	100,000,000	Within six (6) months
Property development projects	(ii)	64,000,000	97,000,000	Within 18 months
General working capital	(iii)	4,821,074	5,353,098	Within six (6) months
Estimated expenses in relation to the Proposed Private Placement	(iv)	240,000	240,000	Within six (6) months
Total		169,061,074	202,593,098	

Notes:

* From the date of listing of each tranche of the Placement Shares.

- (i) As at LPD, the total borrowings of the Group amounted to RM6.40 billion. Based on the average interest rate for the Group's borrowings of 6.00% per annum for the financial year ended ("FYE") 30 June 2018, the repayment of borrowings amounting to RM100.00 million is expected to result in annual gross interest savings of RM6.00 million for the Group.
- (ii) The proceeds are intended to be utilised to fund the Group's property development projects. As at the date of this Announcement, the Company has identified the following property development projects which will be partially funded using the proceeds to be raised from the Proposed Private Placement. Expenses for such projects funded using the proceeds to be raised from the Proposed Private Placement will include payment to contractors, consultant and professional fees, regulatory fees, project management as well as administrative costs.

Property development projects	Note	Minimum Scenario RM	Maximum Scenario RM
EkoTitiwangsa	(a)	29,000,000	62,000,000
EkoCheras Hotel	(b)	35,000,000	35,000,000
Total		64,000,000	97,000,000

Notes:

- (a) The proceeds to be raised from the Proposed Private Placement will be used to partially fund the development cost of the EkoTitiwangsa project amounting to RM200.00 million, and the remaining development cost will be funded through a combination of internal funds, bank borrowings and equity funding.

The Company had in 2015, through its wholly-owned subsidiary, namely Ekovest Land Sdn Bhd, embarked on the proposed development of a high rise residential project known as EkoTitiwangsa. The freehold development project, which has an expected gross development value of RM600.00 million will be developed on a parcel of freehold land measuring approximately 2.91 acres overlooking the Gombak River which was planned to complement the transformation and rejuvenation of Kuala Lumpur under the River of Life project initiative by the Government of Malaysia. The project is also strategically located along Jalan Pahang, Kuala Lumpur and is approximately five (5) kilometers from Kuala Lumpur City Centre and has connectivity to major highways such as the Duta-Ulu Kelang Expressway ("DUKE") Phase 1 and DUKE Phase 2, Middle Ring Road 1 and Middle Ring Road 2, the Sultan Iskandar highway as well as access to Jalan Tun Razak. The project comprises three (3) service apartment blocks offering a total of 696 apartment units.

- (b) The proceeds to be raised from the Proposed Private Placement will be used to fund the interior design and fit-out costs of the EkoCheras Hotel amounting to RM35.00 million.

The EkoCheras Hotel, a proposed 4-star hotel with 238 rooms, is a component of Ekovest's integrated development project, known as EkoCheras, which consist of three (3) residential blocks, an office tower and a four (4)-storey shopping mall located at Jalan Cheras. EkoCheras has connectivity to the Mass Rapid Transit 2 line Taman Mutiara station through a covered walkway. The entire EkoCheras development is near its completion and the shopping mall was opened to the public in September 2018. The interior design and fit-out of the EkoCheras Hotel would enable the Ekovest Group to commence hotel operations.

The actual utilisation of gross proceeds for the abovementioned projects will depend on the actual funding requirement for the projects at the point of utilisation. Any amount not utilised for one (1) or more of these projects will be utilised for the other projects set out above or for other property development projects which the Group has not identified at this juncture.

- (iii) The working capital requirements of the Group include staff cost, general administrative expenses, payment to suppliers and creditors as well as other operating expenses.
- (iv) The estimated expenses consist of professional fees, placement fees, fees payable to the authorities and other miscellaneous expenses to be incurred for the Proposed Private Placement. Any variation in the actual amount of expenses will be adjusted to or from the gross proceeds allocated for general working capital.

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the final issue price and the number of Placement Shares to be issued. In the event the actual gross proceeds to be raised from the Proposed Private Placement is higher or lower than the estimated gross proceeds as set out in the table above, such variance shall be adjusted to or from the gross proceeds allocated for general working capital. Any shortfall in excess of the gross proceeds allocated for general working capital shall be adjusted from the gross proceeds allocated for the development cost of the EkoTitiwangsa project.

Pending utilisation of the proceeds to be raised from the Proposed Private Placement, such proceeds will be placed in interest-bearing deposits with financial institution(s) and/or short-term money market instrument(s). The interest derived from the deposits with financial institution(s) and/or any gain arising from the short-term money market instrument(s) will be used for the Group's working capital requirements.

3. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will enable the Company to raise the requisite funds to partially repay the Group's bank borrowings which stood at RM6.40 billion as at LPD as well as partially fund the property development projects of the Group as set out in Section 2.6 of this Announcement. The repayment of bank borrowings is expected to result in gross interest savings of RM6.00 million per annum based on the average interest rate for the Group's borrowings of 6.00% per annum for the FYE 30 June 2018 whereas the property development projects are expected to provide a steady source of earnings to the Group moving forward.

After due consideration of the various methods of fund raising, the Board is of the view that the Proposed Private Placement is the most appropriate avenue to raise funds premised on the following reasons:

- (i) the Proposed Private Placement will enable the Company to raise the requisite funds without having to incur additional interest expense, thereby minimising any potential cash outflow in respect of interest servicing;
- (ii) the Proposed Private Placement will allow the Company to raise funds expeditiously as the General Mandate has been obtained, as opposed to other forms of fund raising such as a rights issue; and
- (iii) the Proposed Private Placement will strengthen the financial position and capital base of the Company and may potentially enhance the liquidity of Ekovest Shares.

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4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

4.1 Issued share capital

The pro forma effects of the Proposed Private Placement on the issued share capital of the Company are as follows:

	Minimum Scenario		Maximum Scenario	
	No. of Shares	RM	No. of Shares	RM
Issued share capital as at LPD	2,140,013,593	756,249,361	2,140,013,593	756,249,361
Add: To be issued pursuant to the full exercise of the outstanding ESOS Options	-	-	120,330,000	⁽³⁾ 179,051,040
Add: To be issued pursuant to the full exercise of the outstanding Warrants	-	-	304,125,997	⁽⁴⁾ 185,969,778
	2,140,013,593	756,249,361	2,564,469,590	1,121,270,179
Add: To be issued pursuant to the Proposed Private Placement	⁽¹⁾ 214,001,359	⁽²⁾ 169,061,074	⁽⁵⁾ 256,446,959	⁽²⁾ 202,593,098
Enlarged issued share capital after the Proposed Private Placement	2,354,014,952	925,310,435	2,820,916,549	1,323,863,277

Notes:

- (1) Calculated based on 10% of the total number of issued shares of the Company as at LPD.
- (2) Calculated based on the illustrative issue price of RM0.79 per Placement Share.
- (3) Calculated based on the exercise price of RM1.30 per Ekovest Share and after taking into consideration the reversal of share option reserve amounting to RM22.62 million.
- (4) Calculated based on the exercise price of RM0.48 per Ekovest Share and after taking into consideration the reversal of warrant reserve amounting to RM39.99 million.
- (5) Calculated based on 10% of the total number of issued shares of the Company following the full exercise of the outstanding ESOS Options and Warrants as at LPD.

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4.2 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Private Placement on the shareholdings of the substantial shareholders of the Company as at LPD are as follows:

Minimum Scenario

	As at LPD				After the Proposed Private Placement			
	<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		<----- Indirect ----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tan Sri Dato' Lim Kang Hoo ("TSDLKH")	431,705,221	20.17	260,750,022	⁽¹⁾ 12.18	431,705,221	18.34	260,750,022	⁽¹⁾ 11.08
Ekovest Holdings Sdn Bhd ("EHSB")	260,750,022	12.18	-	-	260,750,022	11.08	-	-
Lim Seong Hai Holdings Sdn Bhd ("LSHH")	155,099,300	7.25	-	-	155,099,300	6.59	-	-
Tan Sri Datuk Seri Lim Keng Cheng ("TSDSLKC")	10,833,000	0.51	155,099,300	⁽²⁾ 7.25	10,833,000	0.46	155,099,300	⁽²⁾ 6.59
Datuk Lim Keng Guan	-	-	155,099,300	⁽²⁾ 7.25	-	-	155,099,300	⁽²⁾ 6.59
Lim Keng Hun	-	-	155,099,300	⁽²⁾ 7.25	-	-	155,099,300	⁽²⁾ 6.59
Lim Pak Lian	-	-	155,099,300	⁽²⁾ 7.25	-	-	155,099,300	⁽²⁾ 6.59

Notes:

(1) Deemed interested by virtue of his interest in EHSB.

(2) Deemed interested by virtue of his/her interest in LSHH.

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Maximum Scenario

	As at LPD				(I)				(II)			
					Assuming the full exercise of all the outstanding ESOS Options and Warrants				After (I) and the Proposed Private Placement			
	<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		<----- Indirect ----->		<----- Direct ----->		<----- Indirect ----->	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
TSDLKH	431,705,221	20.17	260,750,022	⁽¹⁾ 12.18	⁽³⁾ 509,377,393	19.86	298,000,032	⁽¹⁾ 11.62	509,377,393	18.06	298,000,032	⁽¹⁾ 10.56
EHSB	260,750,022	12.18	-	-	⁽⁴⁾ 298,000,032	11.62	-	-	298,000,032	10.56	-	-
LSHH	155,099,300	7.25	-	-	⁽⁵⁾ 171,800,800	6.70	-	-	171,800,800	6.09	-	-
TSDSLKC	10,833,000	0.51	155,099,300	⁽²⁾ 7.25	⁽⁶⁾ 26,833,000	1.05	171,800,800	⁽²⁾ 6.70	26,833,000	0.95	171,800,800	⁽²⁾ 6.09
Datuk Lim Keng Guan	-	-	155,099,300	⁽²⁾ 7.25	-	-	171,800,800	⁽²⁾ 6.70	-	-	171,800,800	⁽²⁾ 6.09
Lim Keng Hun	-	-	155,099,300	⁽²⁾ 7.25	-	-	171,800,800	⁽²⁾ 6.70	-	-	171,800,800	⁽²⁾ 6.09
Lim Pak Lian	-	-	155,099,300	⁽²⁾ 7.25	-	-	171,800,800	⁽²⁾ 6.70	-	-	171,800,800	⁽²⁾ 6.09

Notes:

- (1) Deemed interested by virtue of his interest in EHSB.
- (2) Deemed interested by virtue of his/her interest in LSHH.
- (3) Assuming TSDLKH exercises all of the 16,000,000 ESOS Options and 61,672,172 Warrants held by him as at LPD.
- (4) Assuming EHSB exercises all of the 37,250,010 Warrants held by it as at LPD.
- (5) Assuming LSHH exercises all of the 16,701,500 Warrants held by it as at LPD.
- (6) Assuming TSDSLKC exercises all of the 16,000,000 ESOS Options held by him as at LPD.

4.3 Net assets (“NA”) per Ekovest Share and gearing

Based on the audited consolidated statements of financial position of the Company as at 30 June 2018, the pro forma effects of the Proposed Private Placement on the consolidated NA, NA per Ekovest Share and gearing of the Company are as follows:

Minimum Scenario

	Audited as at 30 June 2018 (RM'000)	(I)	(II)
		Subsequent events up to LPD (RM'000)	After (I) and the Proposed Private Placement (RM'000)
Share capital	755,593	⁽³⁾ 756,249	⁽⁴⁾ 925,310
Asset revaluation reserve	82,453	82,453	82,453
Warrant reserve	40,251	⁽³⁾ 39,989	39,989
Share option reserve	22,622	22,622	22,622
Retained earnings	1,092,435	1,092,435	⁽⁵⁾ 1,092,195
NA/Equity attributable to the owners of the Company	1,993,354	1,993,748	2,162,569
Non-controlling interests	368,178	368,178	368,178
Total equity	2,361,532	2,361,926	2,530,747
Number of Ekovest Shares outstanding ('000)	2,139,203	2,140,014	2,354,015
NA per Ekovest Share (RM) ⁽¹⁾	0.93	0.93	0.92
Interest-bearing borrowings	6,549,177	6,549,177	6,549,177
Gearing (times) ⁽²⁾	3.29	3.28	3.03

Notes:

- (1) Calculated based on NA over number of Ekovest Shares outstanding.
- (2) Calculated based on total interest-bearing borrowings over NA.
- (3) After taking into consideration the issuance of 810,700 new Ekovest Shares pursuant to the exercise of Warrants subsequent to 30 June 2018 and up to LPD at an exercise price of RM0.48 per Warrant, and the reversal of warrant reserve amounting to RM261,701.
- (4) Based on the illustrative issue price of RM0.79 per Placement Share.
- (5) After deducting estimated expenses in relation to the Proposed Private Placement of RM240,000.

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Maximum Scenario

	Audited as at 30 June 2018 (RM'000)	(I)	(II)	(III)
		Subsequent events up to LPD (RM'000)	After (I) and assuming the full exercise of all outstanding ESOS Options and Warrants (RM'000)	After (II) and the Proposed Private Placement (RM'000)
Share capital	755,593	⁽³⁾ 756,249	⁽⁴⁾ ⁽⁵⁾ 1,121,270	⁽⁶⁾ 1,323,863
Asset revaluation reserve	82,453	82,453	82,453	82,453
Warrant reserve	40,251	⁽³⁾ 39,989	⁽⁴⁾ -	-
Share option reserve	22,622	22,622	⁽⁵⁾ -	-
Retained earnings	1,092,435	1,092,435	1,092,435	⁽⁷⁾ 1,092,195
NA/Equity attributable to the owners of the Company	1,993,354	1,993,748	2,296,158	2,498,511
Non-controlling interests	368,178	368,178	368,178	368,178
Total equity	2,361,532	2,361,926	2,664,336	2,866,689
Number of Ekovest Shares outstanding ('000)	2,139,203	2,140,014	2,564,470	2,820,917
NA per Ekovest Share (RM) ⁽¹⁾	0.93	0.93	0.90	0.89
Interest-bearing borrowings	6,549,177	6,549,177	6,549,177	6,549,177
Gearing (times) ⁽²⁾	3.29	3.28	2.85	2.62

Notes:

- (1) Calculated based on NA over number of Ekovest Shares outstanding.
- (2) Calculated based on total interest-bearing borrowings over NA.
- (3) After taking into consideration the issuance of 810,700 new Ekovest Shares pursuant to the exercise of Warrants subsequent to 30 June 2018 and up to LPD at an exercise price of RM0.48 per Warrant, and the reversal of warrant reserve amounting to RM261,701.
- (4) Based on the exercise price of RM0.48 per Ekovest Share and after taking into consideration the reversal of warrant reserve amounting to RM39.99 million.
- (5) Based on the exercise price of RM1.30 per Ekovest Share and after taking into consideration the reversal of share option reserve amounting to RM22.62 million.
- (6) Based on the illustrative issue price of RM0.79 per Placement Share.
- (7) After deducting estimated expenses in relation to the Proposed Private Placement of RM240,000.

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4.4 Earnings per share (“EPS”)

The Proposed Private Placement is not expected to have any material effect on the earnings and EPS of Ekovest Group for the financial year ending 30 June 2019.

The Proposed Private Placement is expected to contribute positively to the future earnings of the Group as a result of the utilisation of the proceeds for the repayment of bank borrowings as well as for the property development projects. However, the EPS of the Group will correspondingly reduce as a result of the increase in the number of Ekovest Shares arising from the issuance of the Placement Shares.

4.5 Convertible securities

Save for the outstanding ESOS Options and Warrants, which are exercisable into new Ekovest Shares, the Company does not have any other convertible security in issue as at LPD.

The Proposed Private Placement will not give rise to any adjustment to the exercise price of the outstanding ESOS Options and/or number of ESOS Options in accordance with the provisions of the by-laws governing the ESOS.

The Proposed Private Placement will not give rise to any adjustment to the exercise price of the outstanding Warrants and/or number of Warrants in accordance with the provisions of the Deed Poll.

5. APPROVALS REQUIRED

The Proposed Private Placement is subject to and conditional upon approvals being obtained from the following:

- (i) Bursa Securities, for the listing and quotation of the Placement Shares on the Main Market of Bursa Securities; and
- (ii) any other relevant authorities and/or parties, if required.

The Proposed Private Placement is not conditional upon any other corporate proposal undertaken or to be undertaken by the Company.

6. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the directors and/or major shareholders of the Company and/or persons connected to them have any interest, whether direct or indirect, in the Proposed Private Placement.

7. DIRECTORS’ STATEMENT

The Board, after having considered all aspects of the Proposed Private Placement including the rationale and pro forma effects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

8. ADVISERS AND PLACEMENT AGENT

RHB Investment Bank has been appointed as the Principal Adviser and Placement Agent to the Company for the Proposed Private Placement.

Astramina has been appointed as the Financial Adviser to the Company for the Proposed Private Placement.

9. APPLICATION TO THE RELEVANT AUTHORITIES

The application to the relevant authorities for the Proposed Private Placement will be made within two (2) weeks from the date of this Announcement.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to the approvals of the relevant authorities being obtained, the Proposed Private Placement is expected to be completed by the 3rd quarter of 2019.

This announcement is dated 23 April 2019.