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 (2nd Quarter - 31 December 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 2014.

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 2014 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 2014 as set out below :-

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2014

- Amendments to FRS 10, 12 and 127, *Investment Entities*
- Amendments to FRS 132, *Offsetting Financial Assets and Financial Liabilities*
- Amendments to FRS 136, *Recoverable Amount Disclosures for Non-Financial Liabilities*
- Amendments to FRS 119, *Defined Benefit Plans: Employee Contributions*
- Amendments to FRS 2, 3, 8, 13, 116, 124 and 138, *Annual Improvements to FRSs (2010 – 2012) Cycle*
- Amendments to FRS 1, 3, 13 and 140, *Annual Improvements to FRSs (2011 – 2013) Cycle*
- IC Interpretation 21*, Levies*

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 MASB issued a new MASB approved accounting framework, i.e. Malaysian Financial Reporting Standards (“MFRS”). 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 / or IC Interpretation 15 Agreements for Construction of Real Estate, including the entities’ parent, significant investor and venture (referred to as ‘Transitioning Entities” collectively). Transitioning Entities are allowed to defer adoption of the MFRS, and continue to use the existing FRS framework until the MFRS framework is mandated by the MASB. The Group falls within the definition of Transitioning Entities and has opted to defer adoption of MFRS.

According to an announcement made by the MASB on 2 September 2014, all Transitioning Entities shall adopt the MFRS framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2017.

The Group will adopt the MFRS framework and will prepare its first set of MFRS financial statements for the financial year ending 30 June 2018. In presenting its first sets of MFRS financial statements, the Group will quantify the financial effects arising from the differences between MFRS and the currently applied FRS. The majority of the adjustments required on transition are expected to be made, retrospectively, against opening retained earnings of the Group. Accordingly, the financial performance and financial position of the Group as presented in these financial statements for the year ended 30 June 2014 could be different if prepared in accordance with MFRS.

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:

Pursuant to the announcement made on 29 January 2014, Ekovest had completed the listing and quotation of 244,413,960 new Ekovest shares of RM0.50 each together with 122,206,980 free detachable warrants on 30 June 2014.

Our subsidiary, 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 29 December 2014 approved the payment of a first and final single tier dividend of 2 sen per ordinary share of RM0.50 each amounting to RM17,108,977 for the financial year ended 30 June 2014. The said dividend will be paid on 18 March 2015 to members whose name appear in the Record of Depositors on 27 February 2015.

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.

6 Months Ended 31 December 2014

	Construction RM '000	Investment holding RM '000	Property development RM '000	Toll operations RM '000	Inter-Segment Elimination	Total RM '000
Revenue	139,943	903	35,510	45,779	(28,388)	193,747
Operating profit	30,058	(876)	12,015	38,662	(23,949)	55,910
Interest Income						2,039
Interest Expense						(51,212)
Profit before tax						6,737

6 Months Ended 31 December 2013

	Construction RM '000	Investment holding RM '000	Toll operations RM '000	Inter-Segment Elimination	Total RM '000
Revenue	111,459	1,555	44,723	(38,220)	119,517
Operating profit	23,810	(1,656)	39,078	(20,288)	40,944
Interest Income					3,352
Interest Expense					(41,681)
Loss before tax					2,615

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

There have been no material event subsequent to the quarter and period ended 31 December 2014.

A11 Changes in Composition of the Group

The Company, had on 10 November 2014 acquired the entire issued and paid-up share capital of Ekovest Park & Ride Sdn Bhd ("EPR") which has an authorised share capital of RM400,000.00 and issue and paid-up share capital of RM2.00. EPR is currently dormant. Other than the above changes, there were no other changes in the composition of the Company or the Group for the quarter under review.

A12 Contingent Liabilities

Contingent liabilities of the Group as at 31 December 2014 are as follows:-

	RM '000
Corporate guarantees given to licensed financial institutions for credit facilities granted to subsidiaries	21,492
	21,492

A13 Capital Commitments

Capital commitments of the Group as 31 December 2014 are as follows -

	RM '000
Approved capital expenditure in respect of the purchase of properties Contracted but not provided for	9,314

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 31 December 2014 RM '000
With company in which certain Directors of the Company, have interests:	
Wengcon Marketing Sdn Bhd	14,398

Notes to the Interim Financial Report (2nd Quarter - 31 December 2014)

B1 Review of Performance for the Period

For the quarter and period ended 31 December 2014, the Group recorded a revenue of RM193.747 million with a profit before tax of RM6.737 million as compared to a revenue of RM119.517 million and a profit before tax of RM2.615 million for the preceding year corresponding period. The increase in the revenue and profit before tax for the reporting quarter was mainly due to the contribution from the recognition of property development activities which has not commenced in preceding corresponding period.

B2 Review of Performance for the Quarter

The Group reported a profit before taxation of RM4.524 million from a revenue of RM104.856 million as compared to the previous quarter of RM2.213 million profit before tax from a revenue of RM88.891 million. The increase in profit before tax for the reporting quarter was mainly due to higher revenue contribution from the construction segment.

B3 Prospects

The Board expects the construction of the RM1.18 billion DUKE Phase-II to contribute to the Group's construction turnover and profitability. The commencement of property development activities in the current financial year also expected to increase the Group’s turnover and profitability.

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 31 DECEMBER 2014 RM ‘000	**6 MONTHS ENDED 31 DECEMBER 2014 RM ‘000**
Current period provision		
Tax expense	1,153	1,804

The effective tax rate for the period ended 31 December 2014 is higher than the statutory tax rate mainly due to the losses incurred by certain subsidiaries and disallowable expenses.

B6 Profit on Sale of Investment and/or Properties

There were no sale of investment or properties during the quarter and the year ended 31 December 2014.

B7 Corporate Exercises

There are no corporate proposals announced but not completed as at the date of this quarterly report.

The status of utilisation of proceeds raised from the Rights Issue With Warrants which was completed on 30 June 2014 are as follows:

Purpose	Proposed Utilisation (RM '000)	Actual Utilisation (RM '000)	Balance (RM '000)	Deviation (RM '000)	Intended Timeframe for Utilisation	Notes
Acquisition of the remaining 30% interest in the DUKE	205,200	205,200	Nil	Nil	Within 12 months	(a)
Working capital	36,214	34,970	1,244	Nil	Within 6 months	(b)
Estimated Expenses	3,000	3,000	Nil	Nil	Within 6 months	(c)
	244,414	243,170				

Notes:-

(a) Fully utilised to satisfy the balance purchase consideration for the acquisition of the remaining 30% interest in the DUKE 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 31 DECEMBER 2014 RM '000**	**PRECEDING YEAR ENDED 30 JUNE 2014 RM '000**
Bank overdraft-secured	32,734	33,094
-unsecured	16,541	18,673
Bank Term Loans-secured	50,346	8,409
Revolving credit-unsecured	167,000	62,000
	266,621	122,176

	GROUP	
AMOUNT REPAYABLE AFTER ONE YEAR	**CURRENT QUARTER ENDED 31 DECEMBER 2014 RM '000**	**PRECEDING YEAR ENDED 30 JUNE 2014 RM '000**
Bank Term Loans-secured	87,119	122,429
Islamic medium term notes	1,672,710	1,658,457
	1,759,829	1,780,886

B9 Material Litigation

Save as disclosed below as at 31 December 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

No interim dividend has been declared for the quarter ended 31 December 2014.

B11 Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31 December 2014 RM '000	Preceding year corresponding quarter 31 December 2013 RM '000	6 months to 31 December 2014 RM '000	6 months to 31 December 2013 RM '000
(a) Basic earnings per share				
Net profit attributable to ordinary shareholders	3,203	5,962	4,646	6,582
Weighted average number of ordinary share issue ('000)	855,448	611,034*	855,448	611,034*
Basic earnings per ordinary share (sen)	0.37	0.98	0.54	1.08
(b) Diluted earnings per ordinary Share (sen)	0.35	N/A	0.51	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 Notes to the Statement of Profit or Loss and Other Comprehensive Income

	Current quarter ended 31 DECEMBER 2014 RM '000	6 months ended 31 DECEMBER 2014 RM '000
Profit before tax is stated after charging / (crediting) :		
Interest income	1,179	2,039
Other income including investment income	511	1,068
Interest expense	(25,364)	(51,212)
Depreciation and amortization	(1,092)	(1,863)
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted or unquoted investment or properties	113	179
Impairment of assets	-	-
Foreign exchange gain or loss	-	-
Gain or loss on derivatives	-	-

B13 Realised and Unrealised Retained Earnings

The retained earnings as at 31 December 2014 are analysed as follows:

	As at 31 DECEMBER 2014 RM '000	As at 30 JUNE 2014 RM '000
Realised	218,857	214,211
Unrealised	48,518	48,518
Total retained earnings	267,375	262,729