



EKOVEST BERHAD

(Company No. 132493-D)

(Incorporated in Malaysia under the Companies Act, 1965)

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

Notes to the Interim Financial Report (1st Quarter - 30 September 2015)

A1 Basis of Preparation

The condensed interim financial statements are unaudited and have been prepared in compliance with the Financial Reporting Standard ('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 reports and financial statements for the year ended 30 June 2015.

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 2015.

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 28 October 2015, all Transitioning Entities shall adopt the MFRS framework and prepare their first MFRS financial statements for annual periods beginning on or after 1 January 2018.

The Group will adopt the MFRS framework and will prepare its first set of MFRS financial statements for the financial year ending 30 June 2019. 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 condensed interim financial statements 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 and property development industries.



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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.

A7 Dividend

The Directors have recommended, subject to the approval of the shareholders at the forthcoming Annual General Meeting, 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 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.

3 Months Ended 30 September 2015

	Construction RM '000	Investment holding RM '000	Property development RM '000	Toll operations RM '000	Inter-Segment Elimination RM '000	Total RM '000
Revenue	114,440	564	6,086	24,646	(11,558)	134,178
Operating profit	13,138	298	112	18,745	(3,961)	28,332
Interest Income						1,161
Interest Expense						(24,348)
Profit before tax						5,145



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3 Months Ended 30 September 2014

	Construction RM '000	Investment holding RM '000	Property development RM '000	Toll operations RM '000	Inter-Segment Elimination RM '000	Total RM '000
Revenue	61,772	460	25,301	22,910	(21,552)	88,891
Operating profit	13,714	(257)	8,534	19,654	(14,444)	27,201
Interest Income						860
Interest Expense						(25,848)
Profit before tax						2,213

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 30 September 2015.

A11 Changes in Composition of the Group

There were no other changes in the composition of the Company or the Group for the quarter and period ended 30 September 2015 under review.

A12 Contingent Liabilities

There have been no contingent liabilities subsequent to the quarter and period ended 30 September 2015.

A13 Capital Commitments

Capital commitments of the Group as 30 September 2015 are as follows -

	RM '000
Capital expenditure in respect of :	
- purchase of properties, approved and contracted for	21,148
- concession assets, approved and contracted for	714,614



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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 September 2015 RM '000
With company in which certain Directors of the Company, have interests:	
Wengcon Marketing Sdn Bhd	5,689
Teras Hijaujaya Sdn Bhd	3,664



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Notes to the Interim Financial Report (1st Quarter - 30 September 2015)

B1 Review of Performance for the Period

For the quarter and period ended 30 September 2015, the Group recorded a revenue of RM134.18 million with a profit before tax of RM5.15 million as compared to a revenue of RM88.89 million and a profit before tax of RM2.21 million for the preceding year corresponding period. The increase in the revenue and profit before tax for the reporting period was mainly due to higher revenue contribution from the construction segment.

B2 Review of Performance for the Quarter

The Group reported a profit before taxation of RM5.15 million from a revenue of RM134.18 million as compared to the previous quarter of RM17.62 million profit before tax from a revenue of RM119.80 million. Despite an increase in the revenue from the construction work, the profit before tax for the Group has decrease for the reporting quarter mainly due to a lower contribution from the sales of our property development project which has a higher profit margin as compared to the construction segment and finalization of certain construction contract during the previous quarter.

B3 Prospects

The Board expects the construction of the RM1.18 billion DUKE Phase-2, toll revenue and the recognition of unbilled sales from property development activities to contribute to the Group's turnover and profitability in the current financial year.

Barring any unforeseen circumstances, the Board is of the opinion that the Group's performance would remain satisfactory for the remaining period of the financial year ending 30 June 2016.

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 SEPTEMBER 2015 RM '000	3 MONTHS ENDED 30 SEPTEMBER 2015 RM '000
Current period provision		
Tax expense	<u>2,021</u>	<u>2,021</u>

The effective tax rate for the quarter and period ended 30 September 2015 is higher than the statutory tax rate mainly due to the losses incurred by certain subsidiaries and disallowable expenses.



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B6 Profit on Sale of Investment and/or Properties

There were no sale of investment or properties during the quarter and period ended 30 September 2015.

B7 Group Borrowings

AMOUNT REPAYABLE WITHIN ONE YEAR	GROUP	
	CURRENT QUARTER ENDED 30 SEPTEMBER 2015 RM '000	PRECEDING YEAR ENDED 30 JUNE 2015 RM '000
Bank overdraft-secured	46,332	48,237
-unsecured	1,277	1,292
Bank Term Loans-secured	92,345	92,456
Revolving credit-unsecured	182,000	167,000
	<u>321,954</u>	<u>308,985</u>

AMOUNT REPAYABLE AFTER ONE YEAR	GROUP	
	CURRENT QUARTER ENDED 30 SEPTEMBER 2015 RM '000	PRECEDING YEAR ENDED 30 JUNE 2015 RM '000
Bank Term Loans-secured	128,698	136,810
Islamic medium term notes	1,690,330	1,685,359
	<u>1,819,028</u>	<u>1,822,169</u>

B8 Material Litigation

Save as disclosed below as at 30 September 2015, 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.



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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.

B9 Dividend

No interim dividend has been declared for the quarter ended 30 September 2015.



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B10 Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 30 September 2015 RM '000	Preceding year corresponding quarter 30 September 2014 RM '000	3 months to 30 September 2015 RM '000	3 months to 30 September 2014 RM '000
(a) Basic earnings per share				
Net profit attributable to ordinary shareholders	2,998	1,443	2,998	1,443
Weighted average number of ordinary share issue ('000)	855,448	855,448	855,448	855,448
Basic earnings per ordinary share (sen)	0.35	0.17	0.35	0.17
(b) Diluted earnings per ordinary Share (sen)	0.35	0.16	0.35	0.16

B11 Notes to the Statement of Profit or Loss and Other Comprehensive Income

	Current quarter ended 30 September 2015 RM '000	3 months ended 30 September 2015 RM '000
Profit before tax is stated after charging / (crediting) :		
Interest income	1,161	1,161
Other income including investment income	190	190
Interest expense	24,348	24,348
Depreciation and amortization	2,149	2,149
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	-	-
Impairment of assets	-	-
Foreign exchange gain or loss	-	-
Gain or loss on derivatives	-	-



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B12 Realised and Unrealised Retained Earnings

The retained earnings as at 30 September 2015 are analysed as follows:

	As at 30 September 2015 RM '000	As at 30 June 2015 RM '000
Realised	213,982	210,984
Unrealised	53,148	53,148
Total retained earnings	<u>267,130</u>	<u>264,132</u>

B13 Additional Information

Ekovest Berhad had on 15 January 2015, announced that its wholly-owned subsidiary, Konsortium Lebuhraya Utara-Timur (KL) Sdn Bhd ("**Kesturi**"), has received a letter from the Public Private Partnership Unit, Prime Minister's Department approving in-principle the Proposed Privatisation of the Duta-Ulu Kelang Expressway Phase-3 ("**DUKE Phase-3**"). The proposed privatisation of DUKE Phase-3 is subject to further negotiation to finalise its technical and financial terms and conditions.

The proposed alignment of DUKE Phase-3, measuring approximately 35 kilometres, will traverse north to south of Kuala Lumpur and will serve areas such as University Tunku Abdul Rahman, Wangsa Maju, Setiawangsa, Ampang, the Tun Razak Exchange & Bandar Malaysia development corridor and Kerinchi. The DUKE Phase-3 is expected to provide an alternative route for road users with improved and more efficient traffic dispersal system in and around Kuala Lumpur city centre to complement and relief peak hour congestion on existing arterial roads and expressways along its proposed alignment. The DUKE Phase-3 is also expected to improve connectivity with existing expressways and public rail transportation system such as the KTM Komuter, LRT and MRT lines and providing a holistic land transport system to support the development and modernisation of Greater Kuala Lumpur.

A special purpose vehicle under Nuzen Corporation Sdn Bhd, the immediate holding company of Kesturi and a wholly-owned subsidiary of Ekovest, will be incorporated to undertake the DUKE Phase-3. The project cost of the DUKE Phase-3 is estimated to be RM3.57 billion and is expected to be financed via a combination of internally generated funds, borrowings and/or other fund raising exercise, subject to the finalisation of the DUKE Phase-3 technical and financial terms and conditions.

Further announcement to Bursa Malaysia will be made as and when there is a material development in relation to the DUKE Phase-3.