



EKOVEST BERHAD

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

Part A – Explanatory Notes Pursuant to Financial Reporting Standards (“FRS”) 134

Notes to the Interim Financial Report (3rd Quarter - 31 March 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.



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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 70% owned 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-1S 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% 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.



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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.

9 Months Ended 31 March 2014

	Construction RM ‘000	Investment holding RM ‘000	Toll operations RM ‘000	Total RM ‘000
Revenue	114,489	1,922	66,539	182,950
Segment results	24,481	1,880	41,129	67,490
Finance costs	-	(3,612)	(75,006)	(78,618)
Profit/(loss) before tax	24,481	(1,732)	(33,877)	(11,128)
Consolidation adjustment				13,778
				2,650

9 Months Ended 31 March 2013

	Construction RM ‘000	Investment holding RM ‘000	Total RM ‘000
Revenue	76,898	2,949	79,847
Segment results	17,480	23,453	40,933
Finance costs	-	(4,093)	(4,093)
Profit before tax	17,480	19,360	36,840

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 period ended 31 March 2014.

A11 Changes in Composition of the Group

During the period ended 31 March 2014, there were no changes in the composition of the Company or the Group for the quarter under review.



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A12 Contingent Liabilities

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

	RM '000
Corporate guarantees given to licensed financial institutions for credit facilities granted to subsidiaries	33,268
Deed of undertaking pursuant to the RM2,300 million (in nominal value) Islamic medium terms notes issued by Kesturi	42,000
	<u>75,268</u>

A13 Capital Commitments

Capital commitments of the Group as at 31 March 2014 are as follows -

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

A14 Significant Related Party Transactions

The Group has no significant related party transactions with companies in which certain directors of the Company have interests for period ended 31 March 2014.

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Notes to the Interim Financial Report (3rd Quarter - 31 March 2014)

B1 Review of Performance for the Year

For the period ended 31 March 2014, the Group recorded a revenue of RM182.950 million with a profit before tax of RM3.335 million as compared to a revenue of RM79.847 million and a profit before tax of RM36.840 million for the preceding year corresponding period. The higher revenue for the reporting period was mainly due the consolidation of Wira Kristal Group of Companies, the acquisition of which was completed in May 2013. However, the decrease in consolidated profit before tax was mainly due to the loss arising from these new subsidiaries which carries high finance cost.

B2 Review of Performance for the Quarter

The Group reported a profit before taxation of RM0.720 million from a revenue of RM63.433 million as compared to the previous quarter of RM3.207 million profit before tax from a revenue of RM59.511 million. The decrease in profit before tax for the reporting quarter was mainly due to a lower recognition of interest income from the toll operations as compared to the previous quarter as a partial of the interest income was capitalized during the construction of the Duke Phase-II Highway.

B3 Current Year Prospects

For the current financial year, the Group 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. Further, the commencement of property development activities is also expected to increase the Group's turnover and profitability in the current financial year.

Barring any unforeseen circumstances, the Directors are of the opinion that the Group's performance for the current financial year would remain satisfactory.

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 MARCH 2014 RM '000	9 MONTHS ENDED 31 MARCH 2014 RM '000
Tax expense		
- Current period provision	(353)	714
- Under/(Over) provision in respect of prior year	(29)	(29)
	(382)	685

The effective tax rate for the period ended 31 March 2014 is lower than the statutory tax rate mainly due to over provision of tax expense in prior year.



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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 the year ended 31 March 2014.

B7 Corporate Exercises

On behalf of the Board of Directors of EkoVest (“Board”), AmlInvestment Bank Berhad (“**AmlInvestment Bank**”), had on 29 January 2014 announced that the Company proposes to undertake the following:-

- (i) proposed acquisition by:-
 - (a) Wira Kristal Sdn Bhd (“**Wira Kristal**”), a wholly-owned subsidiary of the Company, 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;
 - (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**”).

On behalf of the Board, AmlInvestment Bank had announced on 28 March 2014 that Bursa Malaysia Securities Berhad (“**Bursa Securities**”) had vide its letter dated 27 March 2014, resolved to approve the following:-



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- (i) Proposed Share Split;
- (ii) Listing of such number of new ordinary shares in EkoVest representing up to 15% of the issued and paid-up share capital of the Company (excluding treasury shares) pursuant to the Proposed ESOS;
- (iii) In the event the Proposed Share Split takes place before the Proposed Rights Issue With Warrants is implemented:-
 - (a) Up to 244,413,960 new ordinary shares of RM0.50 each in EkoVest to be issued pursuant to the Proposed Rights Issue With Warrants;
 - (b) Admission to the Official List and the listing and quotation of up to 122,206,980 Warrants to be issued pursuant to the Proposed Rights Issue With Warrants; and
 - (c) Listing of up to 122,206,980 new ordinary shares of RM0.50 each in EkoVest to be issued pursuant to exercise of Warrants.
- (iv) In the event the Proposed Share Split is not implemented:-
 - (a) Up to 122,206,980 new ordinary shares of RM1.00 each in EkoVest to be issued pursuant to the Proposed Rights Issue With Warrants;
 - (b) Admission to the Official List and the listing and quotation of up to 61,103,490 Warrants to be issued pursuant to the Proposed Rights Issue With Warrants; and
 - (c) Listing of up to 61,103,490 new ordinary shares of RM1.00 each in EkoVest to be issued pursuant to exercise of Warrants.

The approval granted by Bursa Securities is subject to, *inter-alia*, the following conditions:-

- (i) EkoVest and AmInvestment Bank must fully comply with the relevant provisions under the Main Market Listing Requirements of Bursa Securities (“LR”) pertaining to implementation of the Proposals;
- (ii) EkoVest and AmInvestment Bank to inform Bursa Securities upon completion of the Proposals;
- (iii) EkoVest to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities’ approval once the Proposals is completed;
- (iv) EkoVest is required to furnish Bursa Securities on a quarterly basis a summary of the total number of shares listed pursuant to exercise of Warrants and ESOS as at the end of each quarter together with a detailed computation of listing fees payable;
- (v) EkoVest and AmInvestment Bank are required to make the relevant announcements pursuant to Paragraph 13.10(2) of the LR pursuant to the Proposed Share Split;



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- (vi) AmInvestment Bank is required to submit a confirmation to Bursa Securities of full compliance of the Proposed ESOS pursuant to Paragraph 6.43(1) of the LR and stating the effective date of implementation; and
- (vii) To provide Bursa Securities with a certified true copy of the resolution passed by shareholders at the extraordinary general meeting for the Proposals.

On behalf of the Board, AmInvestment Bank had on 5 May 2014 announced that the Government of Malaysia had vide its letter dated 5 May 2014, approved the change in the ultimate shareholders and the shareholding structure of Kesturi involving the disposal of the 30% stake held by MRCB to Ekovest Group, pursuant to the Proposed Acquisition.

The shareholders of Ekovest had on 8 May 2014 approved the resolutions set out in the Notice of EGM dated 11 April 2014 pertaining to the Proposals.

On behalf of the Board, AmInvestment Bank had on 16 May 2014 announced that the Board has resolved to fix the following prices pursuant to the Rights Issue With Warrants:-

- (i) the issue price of the Rights Shares at RM1.00 per Rights Share; and
- (ii) the exercise price of the Warrants at RM1.35 per Warrant.

The announcements on the Share Split Entitlement Date and Rights Issue Entitlement Date have also been made on 16 May 2014.

On behalf of the Board, AmInvestment Bank had on 22 May 2014 announced that all conditions precedent stipulated in the SSA entered into in relation to the Acquisition have been fulfilled (wherein it was mutually agreed by the Vendor and Purchasers that the completion by Ekovest of the Rights Issue With Warrants exercise will not be required) and accordingly, the Acquisition is now deemed unconditional.

B8 Group Borrowings

AMOUNT REPAYABLE WITHIN ONE YEAR	GROUP	
	CURRENT QUARTER ENDED 31 MARCH 2014 RM '000	PRECEDING YEAR ENDED 30 JUNE 2013 RM '000
Bank overdraft-secured	33,599	29,452
-unsecured	18,711	19,166
Bank Term Loans-secured	376	344
Revolving credit-unsecured	59,000	30,000
	<u>111,686</u>	<u>78,962</u>

GROUP



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AMOUNT REPAYABLE AFTER ONE YEAR	CURRENT QUARTER ENDED 31 MARCH 2014 RM '000	PRECEDING YEAR ENDED 30 JUNE 2013 RM '000
Bank Term Loans-secured	129,946	56,599
Islamic medium term notes	1,663,473	531,159
	<u>1,793,419</u>	<u>587,758</u>

B9 Material Litigation

Save as disclosed below as at 31 March 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.



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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 March 2014.

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B11 Earnings Per Share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current year quarter 31 March 2014 RM '000	Preceding year corresponding quarter 31 March 2013 RM '000	9 months to 31 March 2014 RM '000	9 months to 31 March 2013 RM '000
(a) Basic earnings per share				
Net profit attributable to ordinary shareholders	3,504	8,637	10,086	31,284
Weighted average number of ordinary share issue ('000)	305,517	178,794	305,517	178,794
Basic earnings per ordinary share (sen)	1.15	4.83	3.30	17.50
(b) Diluted earnings per ordinary Share (sen)	N/A	N/A	N/A	N/A

B12 Realised and Unrealised Retained Earnings

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

	As at 31 MARCH 2014 RM '000	As at 30 JUNE 2013 RM '000
Realised	179,210	172,179
Unrealised	55,887	55,887
Total retained earnings	235,097	228,066