

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

EXECUTION OF HEADS OF AGREEMENT BETWEEN EKOVEST AND ISKANDAR WATERFRONT HOLDINGS SDN BHD (“IWH”) IN RELATION TO THE PROPOSED JOINT VENTURE BETWEEN IWH AND EKOVEST FOR INVESTMENT IN THE BANDAR MALAYSIA DEVELOPMENT PROJECT (“BANDAR MALAYSIA PROJECT”) (“PROPOSED JOINT VENTURE”)

1. INTRODUCTION

Further to the announcements made on 8 September 2020, 21 October 2020 and 4 December 2020, the Board of Directors of Ekovest (“**Board**”) wishes to announce that the Company had on 8 December 2020 entered into a heads of agreement (“**HOA**”) with IWH in relation to the Proposed Joint Venture which entails the following:

- (a) proposed subscription by Ekovest of new ordinary shares in a special purpose vehicle (“**SPV**”), which will be a wholly-owned subsidiary of IWH following the completion of the IWH’s Reorganisation (as hereinafter defined) undertaken by IWH, comprising 40% of the enlarged issued share capital of the SPV (“**Proposed OS Subscription**”); and
- (b) proposed subscription by Ekovest of new redeemable preference shares-A (“**RPS-A**”) and redeemable preference shares-B (“**RPS-B**”) in IWH CREC Sdn Bhd (“**IWH-CREC**”) for the purposes of redeeming 40% of the existing RPS-A and RPS-B held by IWH in IWH-CREC (“**Proposed RPS Subscription**”).

For avoidance of doubt, the HOA will be subject to the signing of the definitive agreement(s) to be entered into between the Company and IWH in relation to the Proposed Joint Venture (“**Definitive Agreement**”) on a later date.

2. INFORMATION ON IWH-CREC AND SPV

As at the date of this Announcement, IWH-CREC, a company incorporated in Malaysia under the Companies Act 1965 and is deemed registered under the Companies Act 2016 (“**Act**”), is a joint venture company held by IWH (50%) and China Railway Engineering Corporation (M) Sdn Bhd (“**CRECM**”) (50%). IWH-CREC presently has an issued share capital of RM1,251,200,000 consisting of 600,000 ordinary shares, 7,506 RPS-A and 5,000 RPS-B, which is equally held by IWH and CRECM respectively.

IWH-CREC has entered into a restated and amended share sale agreement dated 17 December 2019 (“**RASSA**”) with TRX City Sdn Bhd (“**TRXC**”), an indirect wholly-owned subsidiary of the Ministry of Finance Malaysia, for the acquisition from TRXC of 60% issued share capital of Bandar Malaysia Sdn Bhd (“**BMSB**”). BMSB is presently undertaking the overall master planning and development of the 16 parcels of land located in Sungai Besi, Kuala Lumpur, which are held by BMSB’s wholly-owned subsidiary, Omega Cartel Sdn Bhd (“**OCSB**”), for the Bandar Malaysia Project. To date, IWH-CREC has made a total payment of RM1.241 billion to TRXC for the deposit and advance payment under the RASSA, which IWH’s 50% contribution is RM620.5 million. The RASSA is pending completion as at the date of this Announcement.

For information, IWH intends to undertake an internal reorganisation arrangement (“**IWH’s Reorganisation**”) involving the establishment by IWH of the SPV as an intermediate special purpose holding company to hold the entire equity interest currently held by IWH in IWH-CREC, and the subsequent transfer by IWH of the entire 300,000 ordinary shares held by IWH in IWH-CREC, representing 50% issued ordinary share capital of IWH-CREC, to the SPV.

3. THE PROPOSED JOINT VENTURE

The Proposed Joint Venture provides an opportunity for Ekovest to participate as a strategic investor in the Bandar Malaysia Project through the Proposed OS Subscription and the Proposed RPS Subscription.

The Proposed OS Subscription entails the subscription by Ekovest of 40% of the enlarged issued share capital of the SPV. Following the completion of the IWH's Reorganisation and the Proposed OS Subscription, the SPV will become a 60%:40% joint venture between IWH and Ekovest, which the SPV in turn, will hold 50% issued ordinary share capital in IWH-CREC.

The Proposed RPS Subscription entails the subscription by Ekovest of 1,501 new RPS-A and 1,000 new RPS-B in IWH-CREC for an indicative aggregate subscription consideration of RM250 million, which the subscription consideration will be utilised by IWH-CREC for redemption of 40% of the existing RPS-A and RPS-B held by IWH in IWH-CREC ("**Proposed Redemption of IWH's RPS**"). Upon completion of the Proposed RPS Subscription and the Proposed Redemption of IWH's RPS, the issued RPS-A and RPS-B in IWH-CREC will be held by IWH (30%), Ekovest (20%) and CRECM (50%) respectively. Upon completion of the Proposed Joint Venture and the RASSA, Ekovest will have a 12% effective equity interest in BMSB through the SPV and IWH-CREC.

The estimated total investment commitment of Ekovest for the proposed participation and investment in the Bandar Malaysia Project is approximately RM1.48 billion, representing 12% of the total purchase price by IWH-CREC for the acquisition of 60% equity interest in BMSB, of which the initial investment outlay is approximately RM250 million for the Proposed OS Subscription and the Proposed RPS Subscription. Ekovest may consider funding the Proposed OS Subscription and the Proposed RPS Subscription via internally generated funds and/or borrowings. Subsequently, Ekovest will be required to commit an additional sum of approximately RM1.23 billion over a period of time until year 2023, either directly to IWH-CREC or through the SPV, to meet IWH-CREC's remaining payment obligations under the RASSA.

Ekovest's entry price for investment will be based at the same price as IWH's and CRECM's entry price for investment in the Bandar Malaysia Project, which is pro-rated based on their respective shareholdings in IWH-CREC. Ekovest's entry price is based on IWH-CREC's winning tender price, which was based on 60% of the land valuation conducted in 2015, where all 486 acres of the Bandar Malaysia land was valued at approximately RM12.35 billion (i.e. RM583 per square foot). In the event that the Proposed OS Subscription and Proposed RPS Subscription occur after 5 May 2021 and IWH-CREC has effected the completion as at 5 May 2021 of 60% of the BMSB acquisition pursuant to the terms of the RASSA, the subscription price for the Proposed OS Subscription will be adjusted based on such terms and conditions to be agreed by the parties and set out in the Definitive Agreement.

As at the date of this Announcement, IWH has received CRECM's consent in relation to the IWH's Reorganisation.

4. SALIENT TERMS OF THE HOA

- (a) The Proposed Joint Venture shall be subject to the fulfilment of conditions precedent, including but not limited to those listed in Section 6 of this Announcement.
- (b) Execution of Definitive Agreement: The parties shall use their best endeavours to execute the Definitive Agreement within 30 days from the date of HOA, with an automatic extension of 30 days commencing from the expiry of the first 30 days period, or such other period as the parties may mutually agree upon ("**Period**").

- (c) Exclusivity: The Parties undertake that, during the Period, they shall not solicit or entertain any discussion or negotiation with any other person other than the other party in connection with the Proposed Joint Venture.

5. RATIONALE OF THE PROPOSED JOINT VENTURE

The Bandar Malaysia Project is a prime project located at the extended central business district of Kuala Lumpur which has national economic interests. Ekovest's participation and investment in the Bandar Malaysia Project will provide Ekovest an opportunity to generate additional contracts arising from the infrastructure and development of Bandar Malaysia Project which has an estimated gross development value of approximately RM140 billion.

Synergies are expected to arise from the joint venture between IWH and Ekovest. IWH is a master developer in Malaysia principally involved in the planning, development and implementation of large-scale flagship integrated urban developments in Malaysia. Ekovest, on the other hand, has the necessary track record, skills and technical know-how to undertake large-scale infrastructure developments and construction. As such, the core strength of IWH and Ekovest complements each other as IWH will focus on the planning and implementation of Bandar Malaysia Project while Ekovest will focus on the infrastructure and constructions work component, in conjunction with another strategic partner, CRECM, for the Bandar Malaysia Project.

6. APPROVALS REQUIRED AND CONDITIONS PRECEDENT

As stated in the HOA, the Proposed Joint Venture will be subject to, amongst others, the following:

- (i) the parties entering into the Definitive Agreement.
- (ii) Ekovest being satisfied with its due diligence findings (including financial, legal and operational) on the SPV, IWH-CREC, BMSB, OCSB and the Bandar Malaysia Project;
- (iii) the approval of the non-interested shareholders of Ekovest at an extraordinary general meeting ("**EGM**") to be convened;
- (iv) IWH having obtained TRXC's consent on the IWH's Reorganisation;
- (v) IWH having obtained the approval of the shareholders of IWH-CREC, namely CRECM and the SPV, for the proposed allotment and issuance of the Proposed RPS Subscription to Ekovest and the Proposed Redemption of IWH's RPS;
- (vi) IWH having obtained the approval of the holders of the RPS-B, namely CRECM and IWH, for the proposed partial redemption of 1,501 RPS-A held by IWH prior to the full redemption of all the RPS-B in issue and the proposed partial redemption of 1,000 RPS-B held by IWH out of fresh issuance of RPS-B by IWH-CREC to Ekovest;
- (vii) IWH having obtained the approval of the holders of the RPS-A, namely CRECM and IWH, for the proposed partial redemption of 1,501 RPS-A held by IWH out of fresh issuance of RPS-A by IWH-CREC to Ekovest; and
- (viii) the approval or consent of the financiers/creditors of IWH for, amongst others, the IWH's Reorganisation, where required.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save as disclosed below, none of the Directors or major shareholders of Ekovest and any persons connected with them have any interest, direct or indirect in the Proposed Joint Venture:

- (i) Tan Sri Dato' Lim Kang Hoo ("**TSDLKH**"), being the Executive Chairman and a major shareholder of the Company, is also a director and a major shareholder of IWH through his interest in Credence Resources Sdn Bhd ("**CRSB**") which holds 63.13% equity interest in IWH;
- (ii) Tan Sri Datuk Seri Lim Keng Cheng ("**TSDSLKC**"), being the Managing Director and a substantial shareholder of the Company, is also a director of IWH and a shareholder of CRSB which holds 63.13% equity interest in IWH;
- (iii) Dato' Lim Hoe ("**DLH**"), being the Executive Director of the Company, is also a director of IWH and a shareholder of CRSB which holds 63.13% equity interest in IWH;
- (iv) Lim Chen Thai ("**LCT**"), being the Executive Director of the Company, is the son of TSDLKH;
- (v) Lim Ding Shyong ("**LDS**"), being the Alternate Director to TSDSLKC in the Company, is the son of TSDSLKC;
- (vi) Wong Khai Shiang ("**WKS**"), being the Alternate Director to DLH in the Company, is the son of DLH;
- (vii) Ekovest Holdings Sdn Bhd ("**EHSB**"), being the major shareholder of the Company, is a person connected with TSDLKH by virtue of TSDLKH's 94% direct interest in EHSB; and
- (viii) Lim Seong Hai Holdings Sdn Bhd ("**LSHH**") is a person connected to TSDSLKC by virtue of TSDSLKC's 25% direct interest in LSHH.

Based on the above, TSDLKH, TSDSLKC, DLH, LCT, LDS and WKS (collectively, the "**Interested Directors**"), whilst TSDLKH and EHSB (collectively, the "**Interested Major Shareholders**") and LSHH are deemed interested in the Proposed Joint Venture.

The direct and/or indirect interests of the Interested Directors, Interested Major Shareholders and LSHH in the Company as at the date of this Announcement are as follows:

Name	Direct		Indirect	
	Number of shares	%	Number of shares	%
Interested Directors				
TSDLKH	532,526,093	19.75	298,000,032	11.05 ⁽¹⁾
TSDSLKC	-	-	135,680,100	5.03 ⁽²⁾
DLH	14,232,375	0.53	-	-
LCT	3,100,000	0.11	-	-
LDS	-	-	-	-
WKS	750,000	0.03	-	-

Name	Direct		Indirect	
	Number of shares	%	Number of shares	%
Interested Major Shareholders				
TSDLKH	532,526,093	19.75	298,000,032	11.05 ⁽¹⁾
EHSB	298,000,032	11.05	-	-
Person connected with Interested Directors				
LSHH	135,680,100	5.03	-	-

Notes:

(1) Deemed interested by virtue of his interest in EHSB pursuant to Section 8 of the Act.

(2) Deemed interested by virtue of his interest in LSHH pursuant to Section 8 of the Act.

The Interested Directors and Interested Major Shareholders have abstained and will abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposed Joint Venture.

Further, the Interested Directors and Interested Major Shareholders will also abstain from voting and undertake to ensure that persons connected with them, will abstain from voting in respect of their direct and/or indirect shareholdings in Ekovest, on the resolution pertaining to the Proposed Joint Venture to be tabled at an EGM to be convened.

8. ADVISERS

The Board has appointed MIDF Amanah Investment Bank Berhad as the Principal Adviser to Ekovest in relation to the Proposed Joint Venture.

Astramina Advisory Sdn Bhd ("**Astramina Advisory**") has been appointed as Financial Adviser to Ekovest for the Proposed Joint Venture. Astramina Advisory is also the appointed Transaction Arranger to IWH for the Proposed Joint Venture.

9. DOCUMENTS AVAILABLE FOR INSPECTION

The HOA is available for inspection at the registered office of Ekovest during office hours from Monday to Friday (except public holidays) at Ground Floor, Wisma Ekovest, No. 118, Jalan Gombak, 53000 Kuala Lumpur for a period of three (3) months from the date of this Announcement.

A detailed announcement on the Proposed Joint Venture will be made upon finalisation of the terms and conditions of the Definitive Agreement.

This Announcement is dated 8 December 2020.