

EKOVEST BERHAD ("EKOVEST" OR THE "COMPANY")

ACQUISITION OF THE REMAINING 40% EQUITY INTEREST IN EKOVEST-MRCB JV SDN BHD AND EKOVEST-MRCB CONSTRUCTION SDN BHD FROM MALAYSIAN RESOURCES CORPORATION BERHAD FOR A TOTAL CASH PURCHASE CONSIDERATION OF RM8,500,000

1. INTRODUCTION

The Board of Directors of Ekovest ("**Board**") wishes to announce that the Company had on 5 February 2016 entered into a share sale agreement ("**SSA**") with Malaysian Resources Corporation Berhad ("**MRCB**") for the acquisition of:-

- (i) 40,000 ordinary shares of RM1.00 each in Ekovest-MRCB JV Sdn Bhd ("**JV1**") ("**JV1 Shares**");
- (ii) 2,160,000 redeemable preference shares of RM0.01 each in JV1 ("**JV1 RPS**"); and
- (iii) 800,000 ordinary shares of RM1.00 each in Ekovest-MRCB Construction Sdn Bhd ("**JV2**") ("**JV2 Shares**");

representing the remaining 40% equity interest in JV1 and JV2 not held by Ekovest ("**Balance 40% Interest**"), for a total cash purchase consideration of RM8.5 million ("**Purchase Consideration**") ("**Acquisition**").

2. DETAILS OF THE ACQUISITION

2.1 Information of the Acquisition

The Acquisition entails the acquisition of the remaining 40% equity interest in JV1 and JV2 for a total cash purchase consideration of RM8.5 million.

JV1 and JV2 are joint venture companies incorporated between Ekovest and MRCB based on a shareholding of 60% and 40% respectively. JV1 was appointed as the project coordinator and manager for the "River of Life" project and JV2 is principally engaged in civil engineering and building works.

As at 31 January 2016, the authorised share capital of JV1 is RM1,200,000 comprising 1,000,000 JV1 Shares and 20,000,000 JV1 RPS, of which 100,000 JV1 Shares and 5,400,000 JV1 RPS have been fully paid up. As at 31 January 2016, the authorised share capital of JV2 is RM5,000,000 comprising 5,000,000 JV2 Shares, of which 2,000,000 JV2 Shares have been fully paid-up.

2.2 Basis and justification of arriving at the Purchase Consideration

The Purchase Consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration inter-alia the following:-

- (i) the audited net profit after tax of the JV1 and JV2 for the financial year ended 30 June 2015 of RM2.81 million and RM0.92 million respectively; and
- (ii) the audited net assets of the JV1 and JV2 as at 30 June 2015 of RM8.83 million and 2.9 million respectively.

2.3 Salient terms of the SSA

2.3.1 Payment of Purchase Consideration

The Purchase Consideration shall be paid by Ekovest (“**Purchaser**”) in the following manner and at the following times:-

- (i) upon the execution by the Purchaser of the SSA, a sum of RM850,000.00 only, equivalent to 10% of the Purchase Consideration (“**Deposit**”) shall be paid by the Purchaser to MRCB (“**Vendor**”), and in the event of completion of the sale and purchase herein, such Deposit shall be part payment towards the Purchase Consideration; and
- (ii) within 30 business days from the date of SSA with an automatic extension of a further 30 business days, the Purchasers shall pay to the Vendor a sum of RM7,650,000.00 only, equivalent to 90% of the Purchase Consideration (“**Balance Purchase Price**”).

2.3.2 Purchaser’s Undertaking

The Purchaser agrees and undertakes to secure the full discharge and release of the corporate guarantee issued by the Vendor in favour of Kuwait Finance House (M) Berhad for the financing obtained by JV2. Commencing from the date of execution of the SSA, in the event the aforesaid corporate guarantee is enforced and/or called upon in any manner, the Purchaser agrees to fully indemnify and keep the Vendor harmless from any payment, cost, expense or liability under or arising from such corporate guarantee and shall put the Vendor in funds in order to satisfy the Vendor’s obligations under the said corporate guarantee.

2.3.3 Consequences of Breach

- (i) If the Vendor fails or refuses to complete the sale in accordance to the provisions of the SSA or breaches any of the terms therein, the Purchaser may take such action in law to compel the Vendor by way of specific performance to complete the sale and to claim damages for the breach of the SSA by the Vendor.
- (ii) If the Purchaser fails or refuses to pay the Balance Purchase Price or any part thereof according to the provisions of the SSA, the Vendor may take such action in law to compel the Purchaser by way of specific performance to pay the Balance

Purchase Price or such part thereof and to claim for damages for the breach of the SSA.

2.4.4 Upon completion of the SSA, the joint venture agreements in relation to JV1 and JV2 shall be mutually terminated and be of no further force and effect, and the parties shall release each other from all of their contractual obligations and other legal obligations, whether such obligations arise in respect of events occurring before or after such termination, and neither party shall have any further claims, actions, proceedings against the other in respect of or arising the other in respect of such joint venture agreements.

2.4 Background information of the Vendor

MRCB was incorporated in Malaysia on 21 August 1968 under the Act as a private limited liability company under the name Perak Carbide Corporation Sendirian Berhad. It was converted to a public company on 28 June 1969 and listed on the then Main Board of Bursa Securities on 22 March 1971. It subsequently changed its name to Malaysian Resources Corporation Berhad on 12 October 1981. As at the 31 January 2016, the authorised share capital of MRCB is RM2,000,000,000 comprising 2,000,000,000 ordinary shares of RM1.00 each in MRCB of which RM1,786,590,857 comprising 1,786,590,857 ordinary shares of RM1.00 each have been issued and credited as fully paid-up.

MRCB is principally an investment holding company. MRCB also engages in construction related activities, environmental engineering, property development and investment as well as provision of management services to its subsidiaries. MRCB and its subsidiaries and associates are principally engaged in property development and investment, building services, environmental engineering, infrastructure and engineering as well as construction related activities.

3. RATIONALE FOR THE ACQUISITION

The Acquisition of the Balance 40% Interest is to obtain total control over JV1 and JV2 which was previously shared with MRCB. With the Acquisition, Ekovest is in a better position to manage the risks and enjoy full rewards from the operations of the companies.

4. EFFECTS OF THE ACQUISITION

The Acquisition will not have any effect on the issued and paid-up capital of Ekovest as well as the substantial shareholders' shareholdings in Ekovest.

The earnings and net assets of Ekovest for the financial year ended 30 June 2016 is not expected to be materially affected upon the completion of the Acquisition. The Acquisition will not have any material effect on the gearing of Ekovest.

5. HIGHEST PERCENTAGE RATIOS APPLICABLE

The highest percentage ratio applicable to the Acquisition as per Paragraph 10.02(g) Chapter 10 of the Listing Requirements is 0.72% being the aggregate value of the Purchase Consideration compared to the NA of the Ekovest Group based on the latest audited financial statements for the financial year ended 30 June 2015.

9. APPROVALS REQUIRED

The Acquisition is not subject to any regulatory approval of any governmental authorities or the approval of the shareholders of Ekovest.

The Acquisition is not conditional or inter-conditional upon any other corporate exercises being or proposed to be undertaken by the Company.

10. DIRECTORS' AND MAJOR SHAREHOLDERS' INTEREST

None of the Directors and/or major shareholders of Ekovest and/or persons connected with the Directors and/or major shareholders of Ekovest have any interest, either direct or indirect, in the Acquisition.

11. BOARD OF DIRECTORS' STATEMENT

The Board, having considered the current and prospective financial position and capacity of the Group and after taking into consideration the rationale of the Acquisition, is of the opinion that the Acquisition is in the best interests of the Group.

14. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstance, the Board expects the Acquisition to be completed by the second (2nd) quarter of calendar year 2016.

15. DOCUMENTS FOR INSPECTION

The SSA will be made available for inspection during normal business hours at Ekovest's registered office at Ground Floor, Wisma Ekovest, 118 Jalan Gombak, 53000 Kuala Lumpur, from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 5 February 2016.