



Registration No. 197301001881 (15379-V)

**ECOFIRST CONSOLIDATED BHD
AND ITS SUBSIDIARIES**

**CONDENSED CONSOLIDATED
INTERIM FINANCIAL REPORT
FOR THE QUARTER AND THREE MONTHS ENDED
31 AUGUST 2020**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 AUGUST 2020**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	Current Year Quarter / Period 31/08/2020 RM'000	Preceding Year Corresponding Quarter / Period 31/08/2019 RM'000	Current Year To Date 31/08/2020 RM'000	Preceding Year Corresponding Period 31/08/2019 RM'000
Revenue	16,177	33,911	16,177	33,911
Cost of sales	(10,999)	(26,140)	(10,999)	(26,140)
Gross profit	5,178	7,771	5,178	7,771
Other operating income	228	1,147	228	1,147
Distribution costs	(130)	(186)	(130)	(186)
Administration expenses	(1,956)	(2,925)	(1,956)	(2,925)
Other operating expenses	(795)	(1,046)	(795)	(1,046)
Profit from operations	2,525	4,761	2,525	4,761
Finance income	8	189	8	189
Finance costs	(2,354)	(2,313)	(2,354)	(2,313)
Net finance costs	(2,346)	(2,124)	(2,346)	(2,124)
Profit before tax	179	2,637	179	2,637
Income tax expense	(7)	(1,139)	(7)	(1,139)
Net profit for the period	172	1,498	172	1,498
Attributable to:-				
Owners of the Company	176	1,501	176	1,501
Non-controlling interests	(4)	(3)	(4)	(3)
Net profit for the period	172	1,498	172	1,498
Other comprehensive income, net of tax				
Fair value loss on equity investments designated at fair value through other comprehensive income	-	-	-	-
Total comprehensive income for the period	172	1,498	172	1,498
Total comprehensive income				
Attributable to:-				
Owners of the Company	176	1,501	176	1,501
Non-controlling interests	(4)	(3)	(4)	(3)
	172	1,498	172	1,498
Basic earnings per ordinary share (sen)	0.02	0.19	0.02	0.19
Diluted earnings per ordinary share (sen)	0.02	0.19	0.02	0.19

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Statements for the financial year ended 31 May 2020.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 AUGUST 2020**

	(Unaudited) 31/08/2020 RM'000	(Audited) 31/5/2020 RM'000
Non-current assets		
Plant and equipment	993	1,051
Right-of-use assets	2,501	2,767
Investment properties	378,756	378,756
Other financial assets	1,060	1,060
Deferred tax assets	3,415	3,415
Inventories	138,799	138,627
	<u>525,524</u>	<u>525,676</u>
Current assets		
Inventories	76,546	78,628
Contract costs	239	893
Trade receivables	42,005	48,954
Other receivables, deposits and prepayments	25,937	26,123
Tax recoverable	4	14
Other financial assets	5	22
Cash and bank balances	9,666	26,572
	<u>154,402</u>	<u>181,206</u>
TOTAL ASSETS	<u>679,926</u>	<u>706,882</u>
Equity		
Share capital	129,585	129,585
Reserves	217,754	217,578
Equity attributable to shareholders of the Company	<u>347,339</u>	<u>347,163</u>
Non-controlling interests	14,750	14,754
Total equity	<u>362,089</u>	<u>361,917</u>
Non-current liabilities		
Deferred tax liabilities	1,569	1,569
Lease liabilities	1,576	1,699
Borrowings	141,100	144,829
Trade payables	3,496	8,867
Other payables	10,089	8,857
Tax payable	8,188	4,938
	<u>166,018</u>	<u>170,759</u>
Current liabilities		
Contract liabilities	4,930	17,911
Trade payables	42,266	42,561
Other payables and accruals	74,863	76,110
Lease liabilities	980	989
Borrowings	12,649	16,764
Tax payable	16,131	19,871
	<u>151,819</u>	<u>174,206</u>
TOTAL EQUITY AND LIABILITIES	<u>679,926</u>	<u>706,882</u>
Net assets per share attributable to ordinary equity holders of the Company (RM)	0.4394	0.4392

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 AUGUST 2020**

	Share capital RM'000	Warrant / other reserves RM'000	Fair value adjustment reserve RM'000	Treasury shares RM'000	Retained profits RM'000	Equity attributable to Owners of the Company RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 June 2020	129,585	-	-	(5,853)	223,431	347,163	14,754	361,917
Loss on fair value changes for available-for-sale financial assets	-	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	176	176	(4)	172
Total comprehensive income for the year	-	-	-	-	176	176	(4)	172
At 31 August 2020	<u>129,585</u>	<u>-</u>	<u>-</u>	<u>(5,853)</u>	<u>223,607</u>	<u>347,339</u>	<u>14,750</u>	<u>362,089</u>
At 1 June 2019	123,753	4,199	-	(2,987)	206,345	331,310	14,697	346,007
Issuance of shares pursuant to conversion of warrants	491	(32)	-	-	-	459	-	459
Fair value loss on equity investments designated at fair value through other comprehensive income	-	-	-	-	-	-	-	-
Other comprehensive income for the year	-	-	-	-	-	-	-	-
Net profit for the year	-	-	-	-	1,501	1,501	(3)	1,498
Total comprehensive income for the year	-	-	-	-	1,501	1,501	(3)	1,498
At 31 August 2019	<u>124,244</u>	<u>4,167</u>	<u>-</u>	<u>(2,987)</u>	<u>207,846</u>	<u>333,270</u>	<u>14,694</u>	<u>347,964</u>

The Condensed Consolidated Statements Of Changes In Equity should be read in conjunction with the Annual Financial Statements for the financial year ended 31 May 2020.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENTS
FOR THE PERIOD ENDED 31 AUGUST 2020**

	3 months ended 31/08/2020 RM'000	3 months ended 31/08/2019 RM'000
Cash flows from/(used in) operating activities		
Profit before tax	179	2,637
Adjustments for:-		
- Non-cash items	324	387
- Non-operating items	<u>2,229</u>	<u>2,313</u>
Operating profit before working capital changes	2,732	5,337
Changes in working capital		
- Inventories	1,910	2,006
- Trade and other receivables	7,135	10,248
- Trade and other payables	(5,681)	(7,702)
- Contract costs / assets / liabilities	<u>(12,327)</u>	<u>(17,195)</u>
Cash used in operations	(6,231)	(7,306)
- Income tax paid	(487)	(969)
- Interest paid	<u>(1,200)</u>	<u>(2,313)</u>
Net cash used in operating activities	<u>(7,918)</u>	<u>(10,588)</u>
Cash flows from/(used in) investing activities		
- Increase in investment properties	-	(2,418)
- Decrease in other financial assets	17	(5,655)
- Decrease in fixed deposit pledged	5,280	-
- Net dividend and interest received	125	189
- Proceeds from disposal of plant and equipment	<u>-</u>	<u>(7)</u>
Net cash from/(used in) investing activities	<u>5,422</u>	<u>(7,891)</u>
Cash flows from/(used in) financing activities		
- Proceeds from issuance of shares pursuant to conversion of warrants	-	459
- Interest paid	(1,154)	(1,362)
- Repayments of lease liabilities	(132)	(317)
- Repayments of bridging and term loans	<u>(7,844)</u>	<u>(2,901)</u>
Net cash used in financing activities	<u>(9,130)</u>	<u>(4,121)</u>
Net decrease in cash and cash equivalents	(11,626)	(22,600)
Cash and cash equivalents at beginning of period	<u>19,972</u>	<u>44,954</u>
Cash and cash equivalents at end of period	<u>8,346</u>	<u>22,354</u>
Cash and cash equivalents comprise: -		
	RM'000	RM'000
Cash and bank balances	9,666	28,954
Less : Cash deposits pledged	<u>(1,320)</u>	<u>(6,600)</u>
	<u>8,346</u>	<u>22,354</u>

The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Annual Financial Statements for the financial year ended 31 May 2020.

**NOTES TO THE INTERIM FINANCIAL REPORT
 FOR THE PERIOD ENDED 31 AUGUST 2020**
**A. DISCLOSURE REQUIREMENTS AS PER MALAYSIA FINANCIAL REPORTING STANDARDS
 (“MFRS”) 134, INTERIM FINANCIAL REPORTING**
1. Basis of Preparation

The interim financial report is unaudited and has been prepared in accordance with requirements of MFRS 134: Interim Financial Reporting and the applicable disclosure provisions of the Listing Requirements of the Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 May 2020. The explanatory notes attached to the interim report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 May 2020.

2. Significant Accounting Policies

The significant accounting policies adopted in the interim financial report are consistent with those of the audited financial statements for the financial year ended 31 May 2020, except for the adoption of the following Amendments to MFRS that are effective for the Group’s financial year beginning 1 June 2020:

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MFRSs	Amendments to References to the Conceptual Framework in MFRS Standards
Amendments to MFRS 3	Definition of a Business
Amendments to MFRS 101 and MFRS 108	Definition of Material
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform
Amendments to MFRS 16 Leases	Covid-19-Related Rent Concessions

The adoption of the above amendments to MFRSs does not have any significant impact on the interim financial report of the Group.

3. Qualification of Audit Report

The audit report of the financial statements of the Group for the financial year ended 31 May 2020 was not qualified.

4. Seasonal or Cyclical Factors

There are no seasonal factors affecting the Group performance.

A. DISCLOSURE REQUIREMENTS AS PER MALAYSIA FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING

5. Material Changes in Estimates

There were no material changes in estimates that have had a material effect in the financial period to-date results.

6. Debt and Equity Securities

There were no cancellation, repurchases, resale and repayments of debts and equity securities during the financial period to-date.

7. Dividends Paid

There were no dividends paid during the financial period to-date.

8. Segmental Reporting

	<u>Gross Operating Revenue</u> RM'000	<u>Profit/(Loss) Before Tax</u> RM'000
Property Investment	3,210	1,134
Property Development	13,484	1,092
Property Management	660	232
Investment and Others	1,412	75
	<u>18,766</u>	<u>2,533</u>
Elimination Inter-Group	(2,589)	-
Finance Costs	-	(2,354)
	<u>16,177</u>	<u>179</u>

9. Valuation of Plant and Equipment

The valuation of plant and equipment has been brought forward, without amendments from the previous annual report.

10. Material Subsequent Events

As at 27 October 2020, there were no material subsequent events that have not been reflected in the financial statements for the current financial period.

A. DISCLOSURE REQUIREMENTS AS PER MALAYSIA FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING

11. Significant Related Party Transactions

Details of the relationship between the Group and its related parties are as described below: -

Name of Related Party	Relationship
Paramount Bounty Sdn Bhd (“PBSB”)	PBSB is a subsidiary of Mercury Industries Berhad (“Mercury”) in which Dato’ Tiong Kwing Hee is the Managing Director and major shareholder of Mercury.
Mercury Industries Berhad (“Mercury”)	Dato’ Tiong Kwing Hee is the Managing Director and major shareholder of Mercury.

Shareholders’ mandate had already been obtained at the Annual General Meeting held on 27 October 2020.

The information on the transactions which have been entered into with PBSB and Mercury during the period is as follows: -

<u>Related Party</u>	<u>Nature of Transactions</u>	<u>Current Quarter Ended</u> 31/08/2020 RM’000	<u>Cumulative Year To Date</u> 31/08/2020 RM’000
PBSB	Billings for sub-contractor costs	685	685
Mercury	Billings for rental	58	58

12. Effect of Changes In the Composition of the Group

There were no changes in the composition of the Group during the current interim financial period.

The Company had on 22 September 2020 entered into a Sale and Purchase of Shares Agreement (“SPSA”) for the disposal of its 100% equity interest in UE Building Management Sdn Bhd (“UEBM”), comprising 100,000 ordinary shares at cash consideration of RM2.00.

The SPASA was completed on 1 October 2020 and UEBM ceased to be the subsidiary of the Company subsequent to current financial period.

A. DISCLOSURE REQUIREMENTS AS PER MALAYSIA FINANCIAL REPORTING STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING

13. Changes in Contingent Liabilities/Contingent Assets

The following contingent liabilities have not been provided for in the financial statements, as it is not anticipated that any material liabilities will arise from these contingencies: -

	<u>31/08/2020</u>
	RM'000
Bank guarantee issued for: -	
- government authority	<u>1,320</u>

Inland Revenue Board (“IRB”) had initiated civil proceedings against Pujian Development Sendirian Berhad (“PDSB”), a subsidiary of the Company, in respect of the notice of additional tax assessment for income tax amounting to RM30.7 million and tax penalties amounting to RM4.8 million. The details of these contingent liabilities are presented in Note B9(ii) in the interim financial report.

B. ADDITIONAL DISCLOSURE PURSUANT TO CHAPTER 9, PART K OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD**1. Review of Performance**

For the first quarter ended 31 August 2020 (“1Q21”), the Group recorded revenue of RM16.2 million, representing a drop of 52.3% from RM33.9 million in the corresponding quarter a year ago, while profit before tax (“PBT”) was 93.2% lower at RM0.2 million compared to RM2.6 million previously.

The decline in performance was mainly due to lower billings from the property development segment in line with the completion of Liberty @ Ampang Ukay, phase 1 of its Ampang Ukay flagship development. Phase 2 of Ampang Ukay development is expected to be launched in mid 2021. The Group also recorded lower recurring income from property investment due to rental rebates given to mall tenants of South City Plaza amidst Malaysia’s Recovery Movement Control Order (“RMCO”) period in response to the Covid-19 pandemic.

2. Variation of Results against Preceding Quarter

The Group’s revenue and PBT of RM16.2 million and RM0.2 million in 1Q21 were lower than the preceding quarter ended 31 May 2020 (“4Q20”) of RM24.1 million and RM1.9 million respectively. The decline of 32.9% in revenue and 90.5% in PBT in 1Q21 was in line with the completion of the Group’s Liberty @ Ampang Ukay project and lower recurring income from South City Plaza mall on the continuous impact of Covid-19 on patronage and rental rebates to mall tenants.

3. Current Financial Year’s Prospects

EcoFirst had in May 2020 resumed operations in compliance with regulatory requirements and standard operating procedures in light of the Covid-19 pandemic situation in Malaysia, following disruptions to operations during the Movement Control Order (“MCO”) period from March to May 2020.

The Group had also, on 15 October 2020, announced the acquisition of a 19,243 square metres land in Cahaya SPK, Seksyen 9, Shah Alam, Selangor, which is expected to be completed in the current financial year ending 31 May 2021 (FY21). The land, situated in a rapidly developing area and is located close to various institutions of higher learning, benefits from good road connectivity and accessibility. The Group is planning to launch a RM311 million Gross Development Value mixed development on the said land in FY21, comprising 4 blocks featuring 1,098 SOHO residential units, along with commercial and retail shops, supermarkets, and business space.

Additionally, the Group’s 100% take up rate of the Liberty @ Ampang Ukay development, which received vacant possession on 10 January 2020, highlights the Group’s capabilities in developing highly sought-after homes in line with latest market preferences. The handing over of keys to homebuyers was deferred due to the MCO in March to May 2020, but has since resumed and is expected to contribute towards FY21 performance.

The Group is cautiously optimistic of prospects for FY21, given its focus on developing high-value lands in strategic areas, with attractive pricing and development features tailored to the requirements of the mass-market segment.

B. ADDITIONAL DISCLOSURE PURSUANT TO CHAPTER 9, PART K OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

3. Current Financial Year's Prospects (Cont'd)

For the property investment segment, South City Plaza is expected to continue contributing sustainable rental income in the current financial year, although footfall is expected to remain constant amidst the Covid-19 pandemic, in addition to the implementation of the Conditional Movement Control Order ("CMCO") from 17 October 2020 to 9 November 2020. The Group strictly adheres to the implementation of social distancing and Covid-19 preventive measures in line with the government's standard operating procedures, in order to safeguard the health of the customers and workers. In the longer term, the Group expects the mall's vibrancy and footfall to be enhanced with the construction of the proposed pedestrian bridge link the upcoming Seri Kembangan MRT station to the mall.

4. Variance of Profit Forecast / Profit Guarantee

Not applicable as the Group has not issued profit forecast or profit guarantee in a public document.

5. Notes to the Consolidated Statement of Comprehensive Income

	<u>Current</u> <u>Quarter Ended</u> 31/08/2020 RM'000	<u>Cumulative</u> <u>Quarter Ended</u> 31/08/2019 RM'000	<u>3 Months</u> <u>Cumulative</u> <u>Ended</u> 31/08/2020 RM'000	<u>3 Months</u> <u>Cumulative</u> <u>Ended</u> 31/08/2019 RM'000
Profit before tax is arrived at after charging/(crediting):-				
Depreciation and amortisation	270	387	270	387
Finance income	(8)	(189)	(8)	(189)
Finance costs				
- Interest expense	2,354	2,313	2,354	2,313
Tax penalty and interest	-	17	-	17
	<hr/>	<hr/>	<hr/>	<hr/>

6. Income Tax Expense

	<u>Current Quarter</u> <u>Ended</u> 31/08/2020 RM'000	<u>Cumulative</u> <u>Year To-Date</u> 31/08/2020 RM'000
Income tax		
- current year	7	7
	<hr/>	<hr/>

B. ADDITIONAL DISCLOSURE PURSUANT TO CHAPTER 9, PART K OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

7. Status of Corporate Proposals Announced

Save for the following, there are no other corporate proposals announced by the Company but not completed as at 27 October 2020: -

Proposed acquisition

The Board of Directors of the Company announced that Ecofirst Worldwide Sdn Bhd (“EWSB”), a wholly owned subsidiary of the Company, had on 15 October 2020 entered into a conditional sale and purchase agreement (“SPA”) with Modern Peak Sdn Bhd (“MPSB”) for the acquisition of all that piece of leasehold land held under PN 115434, Lot 87187 (formerly held under HS(D) 260105 PT 23658), Mukim Bukit Raja, Daerah Petaling, Negeri Selangor measuring a total area of approximately 19,243 square metres, for a total cash consideration of RM42.0 million (“the Proposed Acquisition”).

Pursuant to the SPA, the completion period for the above Proposed Acquisition shall be upon the full payment of the Balance Cash Payment paid by EWSB to MPSB within three (3) months from the effective date pursuant to the terms and conditions of the SPA.

8. Group Borrowings and Debt Securities

Total Group borrowings as at 31 August 2020 are as follows: -

	<u>Secured</u> RM'000	<u>Unsecured</u> RM'000	<u>Total</u> RM'000
Long-Term Borrowings			
Amount repayable after twelve months	142,676	-	142,676
	142,676	-	142,676
Short-Term Borrowings			
Current portion of long term borrowings	12,629	-	12,629
Non-Convertible Redeemable Preference Shares	-	1,000	1,000
	12,629	1,000	13,629
Total Group Borrowings	155,305	1,000	156,305

9. Changes in Material Litigation

Further to the disclosure in the previous quarter's report on material litigation, the changes in material litigation as at 27 October 2020 are as follows: -

In respect of the litigation cases stated in (i) below, for accounting purposes, all the amounts owed have been provided for in the financial statements.

B. ADDITIONAL DISCLOSURE PURSUANT TO CHAPTER 9, PART K OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

9. Changes in Material Litigation (Cont'd)

(i) 24 purchasers of South City Plaza ("24 Purchasers") v Pujian Development Sendirian Berhad ("PDSB")

PDSB was served with a writ of summons by 24 Purchasers seeking rescission of the Sale and Purchase Agreements entered into with PDSB in respect of the retail units in South City Plaza. The Shah Alam High Court ("the Court") has allowed the plaintiffs' claims and the hearing of the assessment of damages by way of Enclosure 45 had ended on 21 May 2018. The Court has fixed 17 September 2019 for the decision and the plaintiffs were awarded with a total judgement sum of RM10.4million.

PDSB and the plaintiffs had filed an appeal to the Judge in Chambers against the above said decision on 27 September 2019. On 13 October 2020, the Court had dismissed the plaintiffs' appeal (Enclosure 78). In respect of PDSB's Appeal (Enclosure 79), the Court has fixed 5 November 2020 for decision.

Further, PDSB had filed an application for the Stay of Execution of Enclosure 45 (Enclosure 85). On 19 February 2020, both parties agreed on the conditional stay of execution of Enclosure 45 pending the appeals (Enclosure 78 and 79) with conditions, among which, PDSB is to pay the total judgment sum for Enclosure 45 payable in 12 monthly instalments to the joint solicitors account.

PDSB also has filed an application under Order 40A Rule 3 of the Rules of Court 2012 to expunge the expert witness' evidence in Enclosure 45 (Enclosure 60). On 25 February 2019, the Court had dismissed PDSB's application in Enclosure 60. PDSB then filed an appeal on Enclosure 60 to the Court of Appeal and the said appeal is now fixed for hearing on 21 July 2021.

(ii) Inland Revenue Board ("IRB") v PDSB

Inland Revenue Board ("IRB") had on 3 June 2016, raised a notice of additional income tax assessment of RM30.7 million and tax penalties of RM4.8 million to PDSB for the tax assessment year 2004. PDSB has presented its appeal to the Dispute Resolution Division of IRB and they had forwarded the Form Q to Special Commissioners of Income Tax ("SCIT").

The IRB initiated civil recovery proceedings against PDSB in respect of the above notice of additional assessment. Subsequently, PDSB filed an application to the High Court to stay the civil proceedings on the ground that it has filed an appeal against the said assessment to the SCIT. On 5 January 2018, the High Court granted an order in terms in respect of PDSB's stay application and as a result, the effect and enforcement of the said notice of additional assessment will be stayed pending the disposal of PDSB's appeal at the SCIT.

The appeal before the SCIT is fixed for case management on 30 December 2020.

Upon consulting its tax solicitors, the Board is of the view that there are reasonable grounds to challenge the validity of the said notice of additional assessment raised by the IRB and the penalties imposed.

B. ADDITIONAL DISCLOSURE PURSUANT TO CHAPTER 9, PART K OF THE LISTING REQUIREMENTS OF THE BURSA MALAYSIA SECURITIES BERHAD

10. Dividend

No dividend has been declared for the current financial period to-date.

11. Earnings Per Share

The earnings per share have been calculated based on the consolidated net earnings attributable to ordinary shareholders for the period and the weighted average number of ordinary shares in issue during the period.

	Current Quarter Ended	Cumulative Quarter Ended	Current Year To Date	Cumulative Year To Date
	31/08/2020	31/08/2019	31/08/2020	31/08/2019
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Earnings Net earnings attributable to ordinary shareholders	176	1,501	176	1,501
Weighted average number of ordinary shares (Basic)	('000) 795,424	('000) 793,228	('000) 795,424	('000) 793,228
Basic earnings per ordinary share	(sen) 0.02	(sen) 0.19	(sen) 0.02	(sen) 0.19
Weighted average number of ordinary shares (Diluted)	('000) 795,424	('000) 793,228	('000) 795,424	('000) 793,228
Diluted earnings per ordinary share	(sen) 0.02	(sen) 0.19	(sen) 0.02	(sen) 0.19