

ECO WORLD INTERNATIONAL BERHAD
(Registration No: 201301030020 (1059850-A))
(Incorporated in Malaysia)

Interim Financial Report
31 January 2020

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Interim Financial Report - 31 January 2020

	Page No.
Condensed Consolidated Statement of Comprehensive Income	1
Condensed Consolidated Statement of Financial Position	2-3
Condensed Consolidated Statement of Changes In Equity	4
Condensed Consolidated Statement of Cash Flows	5-6
Notes to the Interim Financial Report	7-12
Additional Information Required by the Main Market Listing Requirements of Bursa Malaysia Securities Berhad	13-19

ECO WORLD INTERNATIONAL BERHAD
(Registration No: 201301030020 (1059850-A))
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 JANUARY 2020
(The figures have not been audited)

	3 MONTHS ENDED	
	31 JANUARY 2020	31 JANUARY 2019
	RM'000	RM'000
Revenue	51	-
Direct expenses	-	-
Gross profit	<u>51</u>	<u>-</u>
Other income	4,026	3,029
Marketing expenses	(1,070)	(1,005)
Administrative and general expenses	(8,083)	(13,360)
Unrealised gain on foreign exchange	4,827	1,656
Finance costs	(16,019)	(12,855)
Share of results in joint ventures	22,669	46,654
Profit before tax	<u>6,401</u>	<u>24,119</u>
Taxation	(415)	225
Profit for the period	<u>5,986</u>	<u>24,344</u>
Other comprehensive income/(loss), net of tax		
<i>Items that may be reclassified to profit or loss subsequently:</i>		
Hedge of net investment	9,364	(1,421)
Exchange differences on translation of foreign operations	(42,339)	13,499
Total comprehensive (loss)/income for the period	<u>(26,989)</u>	<u>36,422</u>
Profit for the period attributable to:		
Owners of the Company	5,190	22,758
Non-controlling interests	796	1,586
	<u>5,986</u>	<u>24,344</u>
Total comprehensive (loss)/income for period attributable to:		
Owners of the Company	(27,741)	34,489
Non-controlling interests	752	1,933
	<u>(26,989)</u>	<u>36,422</u>
Earnings per share attributable to owners of the Company:		
Basic earnings per share (sen)	<u>0.22</u>	<u>0.95</u>
Diluted earnings per share (sen)	<u>0.22</u>	<u>0.95</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 October 2019 and the accompanying explanatory notes)

ECO WORLD INTERNATIONAL BERHAD
(Registration No: 201301030020 (1059850-A))
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2020

(The figures have not been audited)

	As At 31 JANUARY 2020 RM'000	As At 31 OCTOBER 2019 RM'000
ASSETS		
Non-current assets		
Plant and equipment	3,721	4,243
Right-of-use assets	6,945	-
Goodwill	109,527	109,527
Investment in joint ventures	526,099	505,773
Inventories - land held for development	117,395	122,163
Deferred tax assets	19,365	20,066
Derivative financial assets	8,049	-
	<u>791,101</u>	<u>761,772</u>
Current assets		
Inventories - property development costs	949,355	909,964
Amounts owing by joint ventures	2,134,246	2,101,102
Trade and other receivables	119,202	125,432
Contract costs	22,952	23,661
Current tax assets	971	917
Cash, bank balances and deposits	352,096	439,995
	<u>3,578,822</u>	<u>3,601,071</u>
TOTAL ASSETS	<u>4,369,923</u>	<u>4,362,843</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	2,592,451	2,592,451
Warrant reserve	276,418	276,418
Hedging reserve	7,353	(2,011)
Exchange translation reserve	(87,169)	(44,874)
Accumulated losses	(131,153)	(136,343)
Equity attributable to owners of the Company	<u>2,657,900</u>	<u>2,685,641</u>
Non-controlling interests	8,303	8,896
Total equity	<u>2,666,203</u>	<u>2,694,537</u>
Non-current liabilities		
Borrowings	1,437,631	1,356,665
Lease liabilities	4,874	-
Deferred tax liabilities	1,702	1,800
Derivative financial liabilities	-	2,205
	<u>1,444,207</u>	<u>1,360,670</u>

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 JANUARY 2020 (continued)
(The figures have not been audited)

	As At	As At
	31 JANUARY 2020	31 OCTOBER 2019
	RM'000	RM'000
Current liabilities		
Trade and other payables	35,134	85,697
Contract liabilities	113,954	113,884
Borrowings	106,891	107,080
Lease liabilities	2,277	130
Current tax liabilities	1,257	845
	259,513	307,636
Total liabilities	1,703,720	1,668,306
TOTAL EQUITY AND LIABILITIES	4,369,923	4,362,843
Net assets per share attributable to owners of the Company (RM)	1.11	1.12

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 October 2019 and the accompanying explanatory notes)

ECO WORLD INTERNATIONAL BERHAD
(Registration No: 201301030020 (1059850-A))
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 JANUARY 2020
(The figures have not been audited)

	← Attributable to owners of the Company →					Non-controlling interests	Total equity	
	← Non-distributable →		Distributable					
	Share capital	Warrant reserve	Hedging reserve	Exchange translation reserve	Accumulated losses	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 November 2019	2,592,451	276,418	(2,011)	(44,874)	(136,343)	2,685,641	8,896	2,694,537
Other comprehensive income/(loss) for the period:								
- Hedge of net investment	-	-	9,364	-	-	9,364	-	9,364
- Exchange differences on translation of foreign operations	-	-	-	(42,295)	-	(42,295)	(44)	(42,339)
Profit for the period	-	-	-	-	5,190	5,190	796	5,986
Total comprehensive income/(loss) for the period	-	-	9,364	(42,295)	5,190	(27,741)	752	(26,989)
<i>Transactions with owners of the Company:</i>								
Dividend declared to non-controlling interests of a subsidiary	-	-	-	-	-	-	(1,345)	(1,345)
At 31 JANUARY 2020	2,592,451	276,418	7,353	(87,169)	(131,153)	2,657,900	8,303	2,666,203
At 1 November 2018 (as previously reported)	2,592,451	276,418	(10)	(68,851)	(306,399)	2,493,609	15,873	2,509,482
Effects of MFRS 15 adoption	-	-	-	(3,865)	(14,723)	(18,588)	934	(17,654)
At 1 November 2018 (restated)	2,592,451	276,418	(10)	(72,716)	(321,122)	2,475,021	16,807	2,491,828
Other comprehensive (loss)/income for the period:								
- Hedge of net investment	-	-	(1,421)	-	-	(1,421)	-	(1,421)
- Exchange differences on translation of foreign operations	-	-	-	13,152	-	13,152	347	13,499
Profit for the period	-	-	-	-	22,758	22,758	1,586	24,344
Total comprehensive (loss)/income for the period	-	-	(1,421)	13,152	22,758	34,489	1,933	36,422
<i>Transactions with owners of the Company:</i>								
Dividend declared to non-controlling interests of a subsidiary	-	-	-	-	-	-	(1,333)	(1,333)
At 31 JANUARY 2019	2,592,451	276,418	(1,431)	(59,564)	(298,364)	2,509,510	17,407	2,526,917

(The Condensed Consolidated Statement of Changes In Equity should be read in conjunction with the audited financial statements for the year ended 31 October 2019 and the accompanying explanatory notes)

ECO WORLD INTERNATIONAL BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JANUARY 2020

(The figures have not been audited)

	3 MONTHS ENDED	
	31 JANUARY 2020	31 JANUARY 2019
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before tax	6,401	24,119
Adjustments for:		
Non-cash items	(26,154)	(47,765)
Non-operating items	12,222	9,827
Operating loss before working capital changes	<u>(7,531)</u>	<u>(13,819)</u>
Changes in inventories	(85,746)	(155,527)
Changes in receivables and other current assets	2,646	5,458
Changes in payables and other current liabilities	(47,706)	(8,407)
Contract liabilities	70	-
Cash used in operations	<u>(138,267)</u>	<u>(172,295)</u>
Interest received	1,522	1,037
Tax paid	(382)	(465)
Net cash used in operating activities	<u><u>(137,127)</u></u>	<u><u>(171,723)</u></u>
Cash Flows From Investing Activities		
Purchase of plant and equipment	(5)	(27)
Advances to joint ventures	(43,474)	(95,808)
Investment in joint ventures	-	(11,726)
Withdrawal/(Placements) of deposits, debt service reserve and interest service reserve accounts	7,119	(8,107)
Interest received	2,274	1,991
Net cash used in investing activities	<u><u>(34,086)</u></u>	<u><u>(113,677)</u></u>
Cash Flows From Financing Activities		
Drawdown of borrowings	112,262	133,064
Finance costs	(17,561)	(7,676)
Dividend paid to non-controlling interests of a subsidiary	(1,345)	(1,333)
Payment of lease liabilities	(867)	(12)
Net cash generated from financing activities	<u><u>92,489</u></u>	<u><u>124,043</u></u>

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 JANUARY 2020 (continued)

(The figures have not been audited)

	3 MONTHS ENDED	
	31 JANUARY 2020	31 JANUARY 2019
	RM'000	RM'000
Net changes in cash and cash equivalents	(78,724)	(161,357)
Cash and cash equivalents at 1 November 2019/ 2018	419,620	427,597
Effect of exchange rate changes	(2,055)	(308)
Cash and cash equivalents at 31 January 2020/ 2019	338,841	265,932
 Cash and cash equivalents comprise the following:		
Deposits	324,073	212,216
Cash and bank balances	28,023	71,186
	352,096	283,402
Less: Deposit pledged, debt service reserve and interest service reserve accounts	(13,255)	(17,470)
	338,841	265,932

(The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 October 2019 and the accompanying explanatory notes)

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report of the Group is unaudited and has been prepared in accordance with Malaysian Financial Reporting Standard (“MFRS”) 134, Interim Financial Reporting, International Accounting Standard (“IAS”) 34, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

This interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 October 2019.

The interim financial report does not include all of the information required for a complete set of MFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance since the last annual financial statements.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the audited financial statements of the Group for the financial year ended 31 October 2019, except for the adoption of the following new MFRSs, Amendments to MFRSs and Issues Committee Interpretations (“IC Interpretations”), which are relevant to the Group and effective for annual periods beginning on or after 1 November 2019:

MFRS 16	Leases
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 9	Financial Instruments - Prepayment Features with Negative Compensation
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 119	Employee Benefits - Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123	Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)
Amendments to MFRS 128	Investments in Associates and Joint Ventures - Long-term Interests in Associates and Joint Ventures
IC Interpretation 23	Uncertainty over Income Tax Treatments

The adoption of the above new MFRSs, Amendments to MFRSs and IC Interpretations do not have any impact to the Interim Financial Statements of the Group except for MFRS 16, discussed as follows:

MFRS 16 Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases - Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

A1. Basis of Preparation (continued)***MFRS 16 Leases (continued)***

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of application of 1 November 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group also elected to use the transition practical expedient to not reassess whether a contract is, or contain a lease at 1 November 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application.

The Group elected to apply following practical expedients when applying MFRS 16 to leases previously classified as operating lease under MFRS 117:

- Applied the exemptions to leases with lease terms that ends within twelve months as of the date of initial application and lease contracts for which the underlying asset is of low value, and
- Excluded the initial direct costs from the measurement of the right-of-use asset at the date of initial application.

A2. Seasonal or Cyclical Factors

The business operations of the Group during the financial period ended 31 January 2020 have not been materially affected by any seasonal or cyclical factors.

A3. Unusual items affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period ended 31 January 2020.

A4. Changes in Estimates

There were no material changes in estimates during the financial period ended 31 January 2020.

A5. Debt and Equity Securities

There were no issuance or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares or resale of treasury shares during the financial period ended 31 January 2020.

A6. Dividends Paid

There was no payment of dividend during the financial period ended 31 January 2020.

A7. Segmental Reporting

The Group's operating and reportable segments are business units operating in different geographical locations:

- (i) United Kingdom - the areas of operation are principally property development activities and provision of advisory and project monitoring services;
- (ii) Australia - the area of operation is principally property development activities; and
- (iii) Malaysia - the areas of operation are investment holding and promotional and marketing services.

The segmental analysis for the financial period ended 31 January 2020 is as follows:

	United Kingdom RM'000	Australia RM'000	Malaysia RM'000	Eliminations RM'000	Total RM'000
Revenue					
External revenue	-	-	205	(154)	51
Inter-segment revenue	4,440	-	78	(4,518)	-
Total revenue	4,440	-	283	(4,672)	51
Segment results	(1,044)	(2,193)	(4,523)	-	(7,760)
Share of results in joint ventures	22,669	-	-	-	22,669
Depreciation	(70)	(719)	(553)	-	(1,342)
Unrealised gain/(loss) on foreign exchange	1	(9)	4,835	-	4,827
Other income	-	94	135	-	229
Finance income	86	30	3,681	-	3,797
Finance costs	-	(18)	(16,001)	-	(16,019)
Profit/(Loss) before tax	21,642	(2,815)	(12,426)	-	6,401
Taxation	(732)	317	-	-	(415)
Profit/(Loss) for the period	20,910	(2,498)	(12,426)	-	5,986
<i>Main foreign currency</i>	<i>GBP</i>	<i>AUD</i>	<i>RM</i>		
<i>Exchange ratio of 1 unit of foreign currency to RM⁽¹⁾</i>	<i>5.3818</i>	<i>2.8127</i>	<i>1.0000</i>		
	United Kingdom RM'000	Australia RM'000	Malaysia RM'000	Eliminations RM'000	Total RM'000
Segment assets	2,796,320	1,251,820	321,783	-	4,369,923
Segment liabilities	1,835	691,022	1,010,863	-	1,703,720
<i>Main foreign currency</i>	<i>GBP</i>	<i>AUD</i>	<i>RM</i>		
<i>Exchange ratio of 1 unit of foreign currency to RM⁽²⁾</i>	<i>5.3784</i>	<i>2.7408</i>	<i>1.0000</i>		

Note:

⁽¹⁾ Average rates for the financial period ended 31 January 2020.

⁽²⁾ Closing rates as at 31 January 2020.

A8. Significant Events after the End of the Interim Financial Period

There were no significant events after 31 January 2020 until 24 March 2020, the latest practicable date from the date of issue of this interim financial report other than as disclosed in Note B6.

A9. Changes in the Composition of the Group

- (a) There were no changes in the composition of the Group during the financial period ended 31 January 2020.
- (b) There were no changes in the composition of the Group during the period between 1 February 2020 until 24 March 2020, being the latest practicable date from the date of issue of this interim financial report, except as follows:
- (i) Acquisition by Eco World London Holdings Limited (“EcoWorld London”), being a 70% owned joint venture company of the Group, of the remaining 50% partnership interests in Prime Place (Woking Goldsworth Road Development) LLP (“GRN LLP”) from Southern Star Property Investments Limited on 3 March 2020. As a result, GRN LLP became an indirect 70% owned joint venture company of the Group.

A10. Fair Value of Financial Instruments

- (a) Details of derivative financial instruments outstanding as at 31 January 2020 are as follows:

	Notional Amount RM'000	Fair Value Assets/ (Liabilities) RM'000
Cross currency swaps		
- Less than 1 year	-	-
- Between 1 to 5 years	327,244	8,049
	<u>327,244</u>	<u>8,049</u>

- (b) Fair value of financial liabilities

The carrying amounts of the Group's financial liabilities at amortised cost are reasonable approximations of fair values.

A11. Commitments and Contingencies

**As at
31/01/2020
RM'000**

Approved and contracted for:

- Commitment to purchase development land/ properties	5,482
- Commitment to fund joint ventures	
(i) Eco World-Ballymore Holding Company Limited (“EW-Ballymore Holding”) by way of share subscription and shareholder’s loans (<i>Note a</i>)	158,919
(ii) EcoWorld London by way of shareholder’s loan (<i>Note b</i>)	377,359
(iii) EcoWorld London DMCo by way of shareholder’s loan (<i>Note b</i>)	<u>1,769</u>

Note a

The Group and the other joint venture partner are jointly committed to provide additional funding into EW-Ballymore Holding in the event that EW-Ballymore Holding is unable, on its own, to repay its banking facilities when due (“Increased Commitments”). The Increased Commitments shall be in the ratio of 75:25 based on the current proportion of the joint venture partners’ existing equity interests in EW-Ballymore Holding.

The Group’s share of the Increased Commitments is GBP90 million (equivalent to approximately RM484.05 million based on the exchange rate of GBP1.00 : RM5.3784 as at 31 January 2020). If funding in excess of the Increased Commitments is required to satisfy any claims from the banking facilities, the Company shall have the obligation to fund the excess amount should the other joint venture partner not fund its proportionate share. Any funding provided in excess of the Increased Commitments by one partner will result in a corresponding adjustment to the equity interest in the joint venture.

Note b

The Group and the other joint venture partner are jointly committed to provide additional funding into EcoWorld London or EcoWorld London DMCo to prevent a breach of a covenant or undertaking by the EcoWorld London group of companies or EcoWorld London DMCo under any 3rd party finance agreement (“Additional Funding”). Any Additional Funding shall be in the ratio of 70:30 based on the current proportion of the joint venture partners’ existing equity interests in EcoWorld London and EcoWorld London DMCo.

If a joint venture partner (“Funding Shareholder”) funds the other partner’s (“Non-Funding Shareholder”) share of the Additional Funding (“Shortfall”) and the Non-Funding Shareholder does not fund the Shortfall within the stipulated timeframe, the Funding Shareholder has an option to acquire all of the shares held by the Non-Defaulting Shareholder in EcoWorld London group of companies or EcoWorld London DMCo, as the case may be, at a discount or a portion of shares at a nominal price.

A12. Significant Related Party Transactions

	3 MONTHS ENDED 31/01/2020 RM'000
(i) Transactions with joint ventures	
- Advances to joint ventures	43,356
- Sales commission	205
(ii) Transactions with wholly-owned subsidiaries of Eco World Development Group Berhad (“EW Berhad”) where certain directors of the Company are also the directors of EW Berhad	
- Agent fees paid or payable	145
- Support service fees paid or payable	35
- Rental paid or payable	22
(iii) Transaction with a joint venture of EW Berhad where certain directors of the Company are also the directors of EW Berhad	
- Rental paid or payable	289
(iv) Transaction with a company where a director has interest	
- Rental paid or payable	23

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Group Performance

	3 MONTHS ENDED		CHANGES RM'000
	31/01/2020 RM'000	31/01/2019 RM'000	
Gross profit	51	-	51
Share of results in joint ventures	22,669	46,654	(23,985)
Profit before interest and tax	22,420	36,974	(14,554)
Profit before tax	6,401	24,119	(17,718)
Profit for the period	5,986	24,344	(18,358)
Profit for the period attributable to owners of the Company	5,190	22,758	(17,568)

During the current quarter, the Group recorded a profit before tax ("PBT") of RM6.40 million, as compared to the PBT of RM24.12 million reported for 1Q 2019.

The higher PBT reported in 1Q 2019 was mainly due to higher recognition of revenue and profit by its joint venture projects in the United Kingdom following completion and handover of higher number of units sold to customers. This enabled the Group to recognise RM46.65 million as its attributable share of profit from its joint ventures in 1Q 2019.

Revenue recorded by the Group's joint-ventures totalled RM492.69 million (1Q 2019: RM852.28 million), of which the Group's effective share (unconsolidated) amounted to RM358.72 million (1Q 2019: RM629.95 million).

Revenue for the Group for 1Q 2020 was RM51,000. The revenue arose from fees for marketing services rendered by a subsidiary to the Group's joint venture in respect of property sales of its projects in the United Kingdom.

B2. Material Changes in the Quarterly Results compared to the Results of the Preceding Quarter

	3 MONTHS ENDED		CHANGES RM'000
	31/01/2020 RM'000	31/10/2019 RM'000	
Gross profit	51	254	(203)
Share of results in joint ventures	22,669	159,452	(136,783)
Profit before interest and tax	22,420	137,080	(114,660)
Profit before tax	6,401	120,583	(114,182)
Profit for the period	5,986	118,803	(112,817)
Profit for the period attributable to owners of the Company	5,190	118,291	(113,101)

The Group's current quarter PBT was RM6.40 million, which was RM114.18 million lower than the PBT recorded in preceding quarter ended 31 October 2019 of RM120.58 million.

The higher PBT recorded in the preceding quarter was mainly due to the higher share of results of joint venture projects in the United Kingdom due to higher number of handovers of units sold to customers as well as higher revenue and profit recognition of EcoWorld London's build-to-rent ("BtR") sales.

B3. Sales Achieved and Prospects for the Next Financial Year

PROJECTS	LANDBANK AS AT 31/1/2020	3 MONTHS ENDED 31/1/2020			CUMULATIVE SALES	FUTURE REVENUE ⁽¹⁾
	Total (Acres)	Units launched	Units sold	Sales value RM'mil ⁽²⁾	Total achieved RM'mil ⁽³⁾	Effective stake RM'mil ⁽⁴⁾
London	50.7	-	75	304	10,941	3,507
Sydney	1.9	-	-	2	793	789
Melbourne	0.5	-	3	8	452	452
Total	53.1	-	78	314	12,186	4,748

EcoWorld International recorded RM314 million sales in the first three months of FY2020. This is a marked improvement from the RM120 million recorded in the same period of FY2019. During the first three months, the Group witnessed a recovery in demand for higher-end products in London as EcoWorld-Ballymore, the Group's joint venture (JV) that focuses on the upper mainstream and lower prime segment of the London market, recorded RM246 million worth of sales in this period, significantly higher than the RM89 million recorded in the first three months of FY2019. The Group's Australian sales, albeit from a low base, also improved to RM10 million.

Home buying sentiment in London picked up following the UK's General Election in December 2019, which lessened the economic uncertainties related to Brexit. London's status as the most liquid global real estate market remains attractive to foreign buyers, especially when economic and political uncertainties still linger in many other parts of the world. During the first quarter of FY2020, the Group's build-to-rent (BtR) projects in London recorded increased interest from institutional investors and more enquiries were also received from homebuyers for its Australian projects on the back of improving conditions in the Australian property market.

Moving forward for the rest of FY2020, the Covid-19 outbreak is expected to affect EcoWorld International's open market sales momentum. An increasing number of countries worldwide are imposing curbs on travel with some form of restricted movement in place which will require deferment of a good number of the Group's planned marketing events in various international cities.

As regards EcoWorld London's BtR projects however, the outlook remains positive. Based on strong interest from global funds, which are attracted by the resilient nature of BtR assets, management is still targeting to close a BtR deal within the current financial year. Central banks around the world have also reduced their key interest rates to very low levels, which bode well for demand from funds that seek for long-term income.

Accordingly, EcoWorld International believes it will be able to achieve sales of RM2.2 billion in FY2020 which the Board has set as an interim sales target for the full financial year. This target will be revisited once efforts to curb the spread of Covid-19 by governments around the world succeed in flattening the curve in the spread of the virus and market conditions begin to normalise.

Meanwhile, the Board is pleased to share that the Group has successfully completed the last residential block in London City Island in November 2019, which was a key profit driver for the Group's 1Q FY2020 financial results. As at 31 January 2020, the Group has delivered more than 1,200 private units to its purchasers since the maiden completion in 2018. The number of deliveries is expected to increase further in the remaining quarters of FY2020, driven mainly by completion of Wardian in London, West Village and Yarra One in Australia. A substantial portion of the Group's RM4.75 billion effective future revenue is therefore expected to translate into revenue and share of profit in joint ventures in the current financial year.

B3. Sales Achieved and Prospects for the Next Financial Year (continued)

On the corporate front, the Group is working towards acquiring Macquarie Park site in entirety and aiming for launch of the project in FY2022. The Group is also identifying new sites to replenish the development pipeline and improve future earnings visibility.

Notes:

⁽¹⁾ Based on sales achieved.

⁽²⁾ Based on the exchange rate of GBP1.00 : RM5.3784 and AUD1.00 : RM2.7408 as at 31 January 2020.

⁽³⁾ Cumulative sales as at 31 January 2020 represent contracts exchanged of RM11,908 million and reserved units of RM276 million.

⁽⁴⁾ Share of future revenue based on effective stake in joint ventures and subsidiaries as at 31 January 2020 and excludes other reserved units.

B4. Variance of Actual Profit from Forecast Profit

There was no profit forecast published as at 31 January 2020.

B5. Taxation

Taxation comprises:

	3 MONTHS ENDED	
	31/01/2020	31/01/2019
	RM'000	RM'000
Current tax		
Foreign tax		
- current quarter	744	264
Deferred tax		
Malaysian tax		
- current quarter	-	(103)
Foreign tax		
- current quarter	(317)	(368)
- in respect of prior years	(12)	(18)
	<u>415</u>	<u>(225)</u>

The Group's effective tax rate for the current quarter is lower than the statutory tax rate of 24% mainly due to the inclusion of certain non-taxable items in the income statement. Correspondingly, expenditure which relates to the derivation of non-taxable income by the Group has been treated as permanent losses for tax purposes.

B6. Status of Corporate Proposals

Save and except for the following corporate proposal, there are no other corporate proposals that have been announced by the Company which are not yet completed as at 24 March 2020:

Acquisition of 70% equity interest in 12 development projects and a development management entity in UK

On 8 November 2017, the Company has announced a joint venture in UK with Be Living Holdings Limited. The joint venture contemplates the proposed acquisition of a 70% equity interest in 12 development projects in Greater London and the South East of England which is slated to be carried out in two stages as well as a development management entity.

The Stage 1 acquisition involved 6 out of the 12 development projects has been completed on 19 March 2018. Acquisitions of Aberfeldy Village and Kew Bridge were the first Stage 2 projects which have been completed on 30 May 2018 and 20 August 2018, respectively. The Company will no longer be pursuing some of the Stage 2 sites namely the Bromley North and Bromley Sherman Road and Tesco Osterley due to amongst others, unsatisfactory planning conditions imposed. However, the Company plans to acquire the remaining two sites under Stage 2 namely the Tulse Hill and Ealing upon obtaining satisfactory planning consents from the respective local councils.

Acquisition of apartment units to be developed as “Macquarie Park Project” in Sydney, Australia

On 24 November 2017, EcoWorld Macquarie, an indirect wholly-owned subsidiary of the Company, entered into a conditional put and call option agreement (“Option Agreement”) with the owners of 25 apartment units (“Vendors”) in respect of the acquisition of such units in the strata scheme comprised by Strata Plan 6481 (“Strata Scheme”), located at 1-3 Lachlan Avenue, Macquarie Park, Sydney, NSW 2113, Australia (“Properties”).

On 5 February 2018, the Option Agreement has become unconditional. EcoWorld Macquarie had subsequently entered into a definitive sale and purchase agreement with each of the Vendors to acquire the Properties. The acquisition of the Properties was completed on 9 November 2018 following the full settlement of the total purchase consideration of AUD33.8 million (equivalent to RM102.45 million^(a)).

On 1 March 2019, EcoWorld Macquarie had entered into a conditional sale and purchase agreement with the owner to acquire the remaining 4 (out of 5) apartment units for a purchase consideration of AUD5.65 million (equivalent to RM16.43 million^(b)). The said acquisition was completed on 30 May 2019.

EcoWorld Macquarie has commenced the strata renewal process to acquire the remaining 1 apartment unit and is running this process in tandem with negotiation with its owner. The estimated total purchase consideration for all apartment units in the Strata Scheme is AUD41.0 million (equivalent to RM119.20 million^(b)).

Following acquisition of all apartment units in the Strata Scheme, EcoWorld Macquarie proposes to redevelop the land into a residential-led with a small commercial component development to be known as the “Macquarie Park Project”.

Notes:

- (a) Based on the exchange rate of AUD1.00 : RM3.0315 as at 8 November 2018, being the last full market day prior to the announcement dated 9 November 2018.
- (b) Based on the exchange rate of AUD1.00 : RM2.9073 as at 29 May 2019, being the last full market day prior to the completion date on 30 May 2019.

B7. Group Borrowings and Debt Securities

The total group borrowings and debt securities as at 31 January 2020 were as follows:

	As at 31/01/2020			As at 31/10/2019	
	Secured/ Unsecured	Foreign Currency '000		RM Equivalent '000	RM Equivalent '000
Short term borrowings - Term loan	Unsecured	GBP	19,874	106,891	107,080
Long term borrowings - Term loans	Secured	AUD	204,012	559,156	474,065
- Term loan	Unsecured	AUD	29,763	81,574	85,894
- Medium term notes	Unsecured	RM	-	796,901	796,706
				1,437,631	1,356,665
Total borrowings - Term loans	Secured	AUD	204,012	559,156	474,065
- Term loan	Unsecured	AUD	29,763	81,574	85,894
- Term loan	Unsecured	GBP	19,874	106,891	107,080
- Medium term notes	Unsecured	RM	-	796,901	796,706
				1,544,522	1,463,745

As at 31 January 2020, the Group's medium term notes and term loans comprise facilities based on fixed and floating rates to finance the projects in United Kingdom and Australia and are denominated in RM, GBP and AUD.

B8. Material Litigation

The Group was not engaged in any material litigation as at 24 March 2020, being the latest practicable date from the date of issue of this interim financial report.

B9. Dividends Declared

No dividend has been declared or recommended for payment by the Company during the financial period ended 31 January 2020.

B10. Earnings Per Share Attributable to Owners of the Company

(a) Basic earnings per share attributable to owners of the Company

Basic earnings per share has been calculated by dividing the Group's profit for the period attributable to owners of the Company by the weighted average number of ordinary shares in issue. The weighted average number of ordinary shares in issue is calculated as follows:

	3 MONTHS ENDED	
	31/01/2020	31/01/2019
Profit for the period attributable to owners of the Company (RM'000)	<u>5,190</u>	<u>22,758</u>
Weighted average number of ordinary shares ('000)	2,400,000	2,400,000
Basic Earnings Per Ordinary Share (sen)	<u>0.22</u>	<u>0.95</u>

(b) Diluted earnings per share attributable to owners of the Company

Diluted earnings per share has been calculated by dividing the Group's profit for the period attributable to owners of the Company by the weighted average number of ordinary shares that would have been in issue upon full exercise of the Warrants, adjusted for the number of such shares that would have been issued at fair value.

However, in the event that the potential exercise of the Warrants gives rise to an anti-dilutive effect on earnings per share, the potential exercise of the Warrants is not taken into account in calculating diluted earnings per share.

	3 MONTHS ENDED	
	31/01/2020	31/01/2019
Profit for the period attributable to owners of the Company (RM'000)	<u>5,190</u>	<u>22,758</u>
Weighted average number of ordinary shares for Basic Earnings Per Ordinary Share ('000)	2,400,000	2,400,000
Effect of potential exercise of Warrants ('000)	#	#
Weighted average number of ordinary shares ('000)	<u>2,400,000</u>	<u>2,400,000</u>
Diluted Earnings Per Ordinary Share (sen)	<u>0.22</u>	<u>0.95</u>

Notes:

The calculation of diluted earnings per ordinary share does not assume the potential exercise of Warrants as the effect on profit per ordinary share is anti-dilutive

B11. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the year ended 31 October 2019 were unqualified.

B12. Notes to the Statement of Comprehensive Income

Comprehensive loss has been arrived at after crediting/(charging):

	3 MONTHS ENDED 31/01/2020 RM'000
Interest income	3,797
Interest expense	(16,019)
Depreciation and amortisation	(1,342)
Foreign exchange gain	
- realised	135
- unrealised	4,827
	<u>4,827</u>

By order of the Board
Tan Ai Ning
Company Secretary
26 March 2020