

ECO WORLD DEVELOPMENT GROUP BERHAD
(Company No: 17777-V)
(Incorporated in Malaysia)

Interim Financial Report
31 October 2016

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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAD ENDED 31 OCTOBER 2016**

(The figures have been audited) #

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 OCTOBER 2016 RM'000	31 OCTOBER 2015 RM'000	31 OCTOBER 2016 RM'000	31 OCTOBER 2015 RM'000
Revenue	740,988	681,935	2,546,437	1,712,061
Cost of sales	(559,159)	(513,255)	(1,951,293)	(1,300,163)
Gross profit	181,829	168,680	595,144	411,898
Other items of income	8,534	4,585	21,804	19,862
Selling and marketing expenses	(54,920)	(58,032)	(133,561)	(147,249)
Administrative expenses	(71,352)	(76,141)	(246,518)	(188,194)
Finance costs	(13,628)	(2,159)	(30,958)	(20,343)
Share of results of joint ventures	(7,070)	(2,055)	(12,729)	(2,056)
Profit before tax	43,393	34,878	193,182	73,918
Income taxation expense	(14,039)	(15,185)	(63,901)	(30,062)
Profit net of tax	29,354	19,693	129,281	43,856
Other comprehensive income/(loss)				
<i>Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods (net of tax):</i>				
Exchange differences on translation of foreign operations	34	1,371	(206)	998
Total comprehensive income for the period/year	29,388	21,064	129,075	44,854
Profit net of tax attributable to:				
Owners of the Company	29,354	19,693	129,281	43,952
Non-controlling interests	-	-	-	(96)
	29,354	19,693	129,281	43,856
Total comprehensive income attributable to:				
Owners of the Company	29,388	21,064	129,075	44,950
Non-controlling interests	-	-	-	(96)
	29,388	21,064	129,075	44,854
Earnings per share attributable to owners of the Company:				
Basic earnings per share (sen)	1.21	0.83	5.43	2.64
Diluted earnings per share (sen) *	1.21	0.83	5.43	2.64

* Anti-dilutive

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 October 2015 and the accompanying explanatory notes.)

The statement of comprehensive income for the year ended 31 October 2016 and 31 October 2015 have been audited. There is no separate audited financial statements issued for the statement of comprehensive income for the 3 months period ended 31 October 2016 and 31 October 2015.

ECO WORLD DEVELOPMENT GROUP BERHAD
(Company No: 17777-V)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2016
(The figures have been audited)

	As At 31 OCTOBER 2016 RM'000	As At 31 OCTOBER 2015 RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	212,621	176,433
Investment properties	18,589	17,288
Land held for property development	4,160,130	3,708,541
Investment in joint ventures	298,949	-
Amount due from joint venture	186,963	12,900
Deferred tax assets	66,033	35,488
	<u>4,943,285</u>	<u>3,950,650</u>
Current assets		
Property development costs	2,305,746	1,693,135
Gross amount due from customers	-	1,054
Inventories	24,884	25,410
Trade and other receivables	964,551	734,777
Current tax assets	30,044	14,601
Deposits	234,623	256,602
Cash and bank balances	338,844	260,574
	<u>3,898,692</u>	<u>2,986,153</u>
TOTAL ASSETS	<u>8,841,977</u>	<u>6,936,803</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	1,374,846	1,182,132
Share premium	1,971,010	1,662,972
Warrants reserve	194,395	194,395
Foreign currency translation reserve	786	992
Retained earnings	245,665	116,384
Total equity	<u>3,786,702</u>	<u>3,156,875</u>
Non-current liabilities		
Other payables	180,646	485,535
Long term borrowings	2,044,986	1,264,305
Deferred tax liabilities	43,728	48,865
	<u>2,269,360</u>	<u>1,798,705</u>
Current liabilities		
Gross amount due to customers	234	-
Trade and other payables	1,954,160	1,533,229
Bank overdrafts	16,585	-
Short term borrowings	800,332	436,040
Current tax liabilities	14,604	11,954
	<u>2,785,915</u>	<u>1,981,223</u>
Total liabilities	<u>5,055,275</u>	<u>3,779,928</u>
TOTAL EQUITY AND LIABILITIES	<u>8,841,977</u>	<u>6,936,803</u>
Net Assets Per Share (RM)	<u>1.38</u>	<u>1.34</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 October 2015 and the accompanying explanatory notes.)

ECO WORLD DEVELOPMENT GROUP BERHAD
(Company No: 17777-V)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAD ENDED 31 OCTOBER 2016
(The figures have been audited)

	← Attributable to Equity Holders of the Company →				Distributable	Total	Non-controlling interests	Total Equity
	← Non-Distributable →		Foreign currency translation reserve					
	Share capital RM'000	Share premium RM'000	Warrants reserve RM'000	Foreign currency translation reserve RM'000	Retained earnings RM'000	RM'000	RM'000	RM'000
At 1 November 2015	1,182,132	1,662,972	194,395	992	116,384	3,156,875	-	3,156,875
Profit for the year	-	-	-	-	129,281	129,281	-	129,281
Other comprehensive loss	-	-	-	(206)	-	(206)	-	(206)
Issuance of ordinary shares:								
- Placement	192,714	308,341	-	-	-	501,055	-	501,055
Share issue expenses	-	(303)	-	-	-	(303)	-	(303)
At 31 October 2016	1,374,846	1,971,010	194,395	786	245,665	3,786,702	-	3,786,702
At 1 November 2014	253,317	22	-	(6)	72,531	325,864	(3)	325,861
Profit for the year	-	-	-	-	43,952	43,952	(96)	43,856
Other comprehensive income	-	-	-	998	-	998	-	998
Transactions with owners:								
Acquisition of additional share in subsidiary company	-	-	-	-	(99)	(99)	99	-
Issuance of ordinary shares:								
- Share subscription	403,423	968,217	-	-	-	1,371,640	-	1,371,640
- Rights issue with warrants	328,370	265,323	194,395	-	-	788,088	-	788,088
- Placement	197,022	441,329	-	-	-	638,351	-	638,351
Share issue expenses	-	(11,919)	-	-	-	(11,919)	-	(11,919)
At 31 October 2015	1,182,132	1,662,972	194,395	992	116,384	3,156,875	-	3,156,875

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 October 2015 and the accompanying explanatory notes.)

(Company No: 17777-V)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 31 OCTOBER 2016

(The figures have been audited)

	12 MONTHS ENDED	
	31 OCTOBER 2016 RM'000	31 OCTOBER 2015 RM'000
Operating activities		
Profit before tax	193,182	73,918
Adjustments for :		
Non-cash items	52,627	23,629
Non-operating items	13,243	3,712
Operating cash flows before changes in working capital	259,052	101,259
Changes in property development expenditure	55,479	8,325
Changes in gross amount due from customers	1,288	2,908
Changes in inventories	704	23,656
Changes in receivables	(361,574)	(329,716)
Changes in payables	503,516	519,151
Cash flows generated from operations	458,465	325,583
Interest received	4,410	4,185
Interest paid	(110,194)	(68,718)
Net income taxes paid	(112,376)	(64,060)
Net cash flows generated from operating activities	240,305	196,990
Investing activities		
Additions to land held for property development	(1,409,346)	(1,175,904)
Purchase of property, plant and equipment and investment properties	(47,775)	(69,367)
Proceeds from disposal of property, plant and equipment	1,386	68
Development expenditure paid	(3,936)	(20,418)
Deposits paid for acquisition of land	(87,524)	(179,881)
Deposits refunded for acquisition of land	159,254	6,344
Acquisition of subsidiary companies, net of cash acquired	-	(164,322)
Acquisition of Development Rights	-	(1,814,450)
Subscription of additional ordinary shares in a joint venture	(500)	-
Acquisition of a joint venture	(303,500)	-
Advances to joint ventures	(162,834)	(12,722)
Other investments	1,625	(67,036)
Net cash flows used in investing activities	(1,853,150)	(3,497,688)
Financing activities		
Proceeds from issue of shares by the Company	501,055	2,798,079
Payment of share issue expenses	(303)	(11,919)
Drawdown of bank borrowings	1,951,708	1,859,450
Repayment of bank borrowings	(800,943)	(945,006)
Net cash flows generated from financing activities	1,651,517	3,700,604
Net increase in cash and cash equivalents	38,672	399,906
Effect of exchange rate changes	(60)	140
Cash and cash equivalents at 1 November 2015 / 2014	443,469	43,423
Cash and cash equivalents at 31 October 2016 / 2015	482,081	443,469
Cash and cash equivalents comprise the following:		
Deposits	234,623	256,602
Cash and bank balances	338,844	260,574
Less: Bank overdrafts	(16,585)	-
	556,882	517,176
Less: Deposit pledged, Sinking Fund, Debt Service Reserve and Escrow Accounts	(74,801)	(73,707)
	482,081	443,469

(The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 October 2015 and the accompanying explanatory notes.)

NOTES TO THE INTERIM FINANCIAL REPORT

1. **Basis of Preparation**

The interim financial report has been prepared in accordance with Financial Reporting Standard 134, Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The interim financial report should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 October 2015.

The accounting policies adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 October 2015.

2. **Seasonal or Cyclical Factors**

The business operations of the Group during the financial year ended 31 October 2016 under review have not been materially affected by any seasonal or cyclical factors.

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

There were no unusual items for the financial year ended 31 October 2016.

4. **Changes in Estimates**

There were no material changes in estimates for the financial year ended 31 October 2016.

5. **Debts and Equity Securities**

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the financial year ended 31 October 2016 except for the issuance of 385,426,527 new ordinary shares of RM0.50 each pursuant to the Placement at an issue price of RM1.30 per ordinary share. The total cash proceeds arising from the Placement amounted to RM501,054,485. The Placement shares were listed in Main Market of Bursa Malaysia on 19 October 2016.

6. **Dividends Paid**

There was no payment of dividend during the financial year ended 31 October 2016.

7. Segmental Reporting

No segmental reporting is presented as the Group is primarily engaged in the business of property development in Malaysia. Segmental reporting was presented in the prior periods because the trading segment exceeded the quantitative threshold in accordance to FRS 8 - Operating Segments.

8. Events after the End of the Interim Financial Period

There were no significant events after 31 October 2016 till 1 December 2016 (the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report), except as disclosed below in Note 6(a)(ii) on page 12 and 13 and 6(a)(iii) on page 13.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the financial year ended 31 October 2016 except as follows:

- (i) Incorporation of Eco World Capital (L) Ltd (“**EW Capital**”) as a wholly-owned subsidiary of the Company on 2 November 2015. EW Capital has an issued and paid-up share capital of USD1.00;
- (ii) Acquisition of 2 ordinary shares of RM1.00 each in Eco Grandeur Sdn Bhd (“**EGSB**”) on 22 January 2016. As a result, EGSB became a wholly-owned subsidiary of the Company;
- (iii) Incorporation of Eco World Capital (International) Sdn. Bhd. (“**EWCI**”) as a wholly-owned subsidiary of the Company on 3 February 2016. EWCI has an issued and paid-up share capital of RM2.00;
- (iv) Acquisition of 2 ordinary shares of RM1.00 each in Eco World Property Services (Eco North) Sdn. Bhd. (“**EWPSN**”) (formerly known as Novastream Sdn. Bhd.) on 4 February 2016. As a result, EWPSN became a wholly-owned subsidiary of the Company;
- (v) Acquisition of 2 ordinary shares of RM1.00 each in Hara Kecil Sdn. Bhd. (“**HKSB**”) on 29 February 2016. As a result, HKSB became a wholly-owned subsidiary of the Company;
- (vi) Acquisition of 2 ordinary shares of RM1.00 each in Inspirasi Inovasi Sdn. Bhd. (“**IISB**”) on 10 August 2016. As a result, IISB became a wholly-owned subsidiary of the Company; and
- (vii) Acquisition of 21,000,000 ordinary shares of RM1.00 each in Eco Ardence Sdn. Bhd. (formerly known as Jendela Hikmat Sdn. Bhd.) (“**EASB**”) by EGSB on 15 September 2016. As a result, EASB became a 50% joint venture of the Group.

10. Contingent Liabilities

There were no changes in contingent liabilities in respect of the Group since the last annual balance sheet date except for additional guarantees of RM10,996,000 given to a bank for performance bonds granted to a joint venture.

11. Commitments

	As at 31/10/2016 RM'000
Approved and contracted for:-	
Commitment to purchase development lands	1,498,950
Commitment to acquire plant and equipment	5,348
Commitment for share subscription in MFBCC Retail Mall Sdn Bhd	600

In addition to the above, as disclosed in Note 6(a)(i) on page 12, the Group entered into a subscription agreement for the Proposed Subscription in Eco World International Berhad ("EWI shares"). The consideration for the Proposed Subscription cannot be ascertained at this juncture as the issue price for the EWI shares will only be determined by a book building process on a later date.

12. Significant Related Party Transactions

	12 MONTHS ENDED 31/10/2016 RM'000
(i) Transactions with shareholders/directors of the Company and subsidiary companies, and companies in which they have interests	
- Sales of development property to directors of subsidiary companies	3,325
- Revocation of sales of development properties by a director of subsidiary companies	1,264
- Revocation of sales of development properties by directors of the Company and their immediate family member	10,034
- Rental paid to a company in which a director has interest	360
- Commission charged to a company in which a director has interest	794
- Disposal of motor vehicles to companies in which a director has interest	12
- Advances from a shareholder/director (interest-free) *	100,000
(ii) Transactions with joint venture	
- Advances given	162,834
- Interest receivable	11,229
- Sales of building materials	19
- Development management fees	4,317
- Brand licensing fees	71
- Disposal of motor vehicles and office equipment	1,007

* Fully repaid as at 31 October 2016

**ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD**

1. Review of Group Performance

(a) Performance of the current quarter against the same quarter in the preceding year (4Q 2016 vs. 4Q 2015)

Revenue for the Group for 4Q 2016 was RM741.0 million, which is 8.7% higher than the RM681.9 million reported in 4Q 2015. The Group reported a profit before taxation (“PBT”) of RM43.4 million for 4Q 2016, which is 24.4% higher than the RM34.9 million reported for 4Q 2015.

The increase in revenue and profit in the current quarter reflects both the strong sales achieved in current and prior years as well as the steady progress of construction works on-site with 11 of the Group’s ongoing projects now contributing towards revenue and profit recognition.

(b) Performance of the current year to-date against the same year in the preceding year (4Q YTD 2016 vs. 4Q YTD 2015)

During the 12 months ended 31 October 2016, the Group achieved a PBT of RM193.2 million on the back of revenue totalling RM2,546.4 million, representing an 161.3% increase in PBT and 48.7% increase in revenue as compared to the preceding year.

The reasons for the higher revenue and profit for the current financial year are as mentioned above. Results for the current year-to-date also reflect 12 months of income recognition for launched projects acquired from various subsidiaries of Eco World Development Sdn. Bhd. This is as opposed to 10 months income recognition on the same projects in the preceding financial year due to the agreements for the acquisition of development rights becoming unconditional only on 8 January 2015.

Ongoing projects which contributed to the revenue and gross profit achieved included *Eco Majestic*, *Eco Sanctuary* and *Eco Sky* in the Klang Valley, *Eco Botanic*, *Eco Spring*, *Eco Summer* and *Eco Business Park I*, *Eco Tropics* and *Eco Business Park III* in Iskandar Malaysia as well as *Eco Meadows* and *Eco Terraces* in Penang.

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

The Group's current quarter revenue was RM741.0 million, which is RM13.7 million higher than the preceding quarter ended 31 July 2016. The Group’s current quarter PBT was RM43.4 million, which is RM23.4 million lower than the preceding quarter ended 31 July 2016.

The lower PBT achieved in the current quarter was due to the higher selling and marketing as well as administrative expenses incurred primarily in relation to the following:

- Group Branding expenditure on the AnakAnakMalaysia campaign in August – September 2016
- Concurrent launch of 4 projects under the EcoWorld’s Firsts Campaign in September 2016
- New Eco Grandeur Sales Gallery and new EcoWorld Residence Clubs for projects which are scheduled to be handed over in Q4FY2016 – Q1FY2017

However, as compared to the same quarter in the preceding year, both selling and marketing expenses as well as administrative expenses are lower by 5% and 6% respectively due to lower expenses required to be incurred for on-going projects.

3. Sales achieved in FY2016 and Prospects for the Next Financial Year

The Board is pleased to announce that the Group successfully achieved its FY2016 sales target of RM4 billion, with sales from Malaysian projects in the final quarter of FY2016 exceeding cumulative sales for the 1st 3 quarters of the financial year.

This remarkable result was due to the overwhelming reception received on the EcoWorld's Firsts Campaign which saw the launch of 4 projects in September 2016, namely:

- Eco Grandeur on the North-West of the Klang Valley;
- Eco Ardence off the NKVE in the Klang Valley;
- Eco Business Park II (EBP II) in Iskandar Malaysia; and
- Eco Bloom @ Eco Meadows in Penang.

In addition, the successful entry into a joint-venture between the shareholders of BBCC and Mitsui Fudosan Asia to own and operate the retail mall at BBCC followed by the official launch of BBCC's strata offices and serviced residences also contributed to total sales recorded in the 4th quarter of FY2016.

The target for FY2016 was set based on expected sales from projects under the EcoWorld brand name, i.e. the Group's projects in Malaysia (including BBCC) and those undertaken by EcoWorld International Berhad (EWI).

The breakdown of sales achieved in FY2016 having regard to the Group's proportionate share of sales based on its 40% shareholding in BBCC and proposed 27% stake in EWI is as follows:

	RM'mil	RM'mil
Malaysian Projects		
Sales achieved as at 31 July 2016		1,638.0
Sales achieved in the 4 th quarter 2016		
- Ongoing projects	573.5	
- New project launches (EcoWorld's First's Campaign)	912.0	
- 40% of BBCC Sales	278.6	1,764.1
FY2016 Sales from Malaysian Projects		3,402.1
EcoWorld International Sales		
Cumulative sales from projects in the United Kingdom (GBP'mil)	877.5	
Cumulative sales from project in Australia (AUD'mil)	252.8	
Cumulative International Sales *	5,290.9	
Less: FY2015 sales *	(3,038.8)	
FY2016 Sales from International Projects	2,252.1	
EW Berhad Pro-Forma 27% share of FY2016 sales from EWI's projects		608.1
Actual sales achieved based on target set for FY2016		4,010.2

* based on exchange rates of GBP1 = RM5.1097 and AUD1 = RM3.1929 as at 31 October 2016

The Group's ability to consistently meet and exceed its sales targets both in Malaysia and beyond is testament to its strong branding, loyal customer following and the unique value propositions offered by each project launched. It also demonstrates Team EcoWorld's execution capability in quickly bringing to market highly sought-after developments which meet the lifestyle needs and aspirations of its target customer base.

This continued outperformance by the Group amidst challenging market conditions may be better appreciated through an analysis of Total Gross Sales secured under the EcoWorld brand name in FY2016 by geographic regions as follows:

3. Sales achieved in FY2016 and Prospects for the Next Financial Year (cont.)

	RM'mil	RM'mil
Klang Valley (including 100% of BBCC Sales)	2,472.9	
Iskandar Malaysia	1,199.4	
Penang	147.6	
Total Sales from Malaysian Projects		3,819.9
International Sales (United Kingdom & Australia) by EWI		2,252.1
Total Gross Sales of Properties sold under the EcoWorld brand name in FY2016		6,072.0

Gross Sales from Malaysian Projects of RM3.82 billion is 26% higher than the RM3.02 billion achieved in FY2015.

In the Klang Valley sales rose from RM1.579 billion in FY2015 to RM2.473 billion in FY2016 due to the ongoing contributions from both Eco Majestic and Eco Sanctuary as well as the launch of three sizeable new joint-venture projects in FY2016, namely BBCC in Kuala Lumpur City Centre, Eco Ardence in Shah Alam and Eco Grandeur in Ijok.

The Group's four townships in Iskandar Malaysia namely Eco Botanic, Eco Spring, Eco Summer and Eco Tropics and three business parks (EBP I, EBP II and EBP III) achieved total combined sales of RM1.199 billion in FY2016. This makes it the 3rd consecutive year in which the Group has secured more than RM1 billion sales in Iskandar Malaysia, which is attributable both to EcoWorld's market leadership position and the depth of fundamental demand for landed township and business park products down south.

Contributions from Penang remain relatively small in FY2016 due to the current size of the Group's projects in the Northern region. This is set to increase with the acquisition of 375 acres in June 2016 on the Penang Mainland.

On the international front, EWI's projects in the United Kingdom (UK) and Australia also performed well with total cumulative sales of RM5.291 billion secured (RM3.039 billion in FY2015 and RM2.252 billion in FY2016). Upon completion of EW Berhad's subscription for its 27% stake in EWI pursuant to EWI's Initial Public Offering (IPO), the Group will be entitled to a proportionate share of the eventual earnings from the total cumulative sales secured by EWI.

In FY2016, sales were mainly contributed by EWI's three projects in the UK, namely Embassy Gardens Phase 2, London City Island Phase 2 and Wardian London. With regard to the impact of the Brexit referendum on UK sales, it is notable that monthly sales achieved by EWI post-Brexit exceeded monthly sales recorded pre-Brexit by a sizeable margin. This demonstrates the inherent appeal of all three projects as well as London's resilience and enduring popularity as a global property investment destination.

Going forward into FY2017, the Group's pro-forma effective share of unbilled progress billings from its subsidiaries, joint-ventures and associates as at 31 October 2016 stands at approximately RM6.02 billion. This takes into consideration corporate proposals announced but not completed as FY2016, namely the proposed dilution of the Group's stake in Eco Grandeur to 60% (the remaining 40% will be owned by the Employees Provident Fund Board) and proposed subscription for 27% of the shares in EWI pursuant to EWI's Initial Public Offering (IPO)

The strong sales achieved in FY2016 together with the high level of pro-forma unbilled progress billings attributable to the Group as at 31 October 2016 provides substantial earnings visibility to anchor EW Berhad's growth prospects going forward.

3. Sales achieved in FY2016 and Prospects for the Next Financial Year (cont.)

For FY2017, the EW Berhad targets to achieve RM4.0 billion Gross Sales (i.e. 100% of the sales value) from all Malaysian development projects managed by EcoWorld (including joint-ventures). In addition to this, the Group will be entitled to a proportionate share of international sales achieved by EWI based on the Group's proposed 27% shareholding in EWI.

Sales from Malaysia will be contributed by EW Berhad's existing 15 projects along with the proposed launch of two new projects, namely Eco Forest in Semenyih and Eco Horizon on the Penang Mainland. On the international front EWI's sales will continue to be anchored by its existing four projects and post-listing EWI will also be exploring new project acquisitions to continue to grow its development presence and market reach in its countries of focus namely the UK and Australia.

For FY2018, the Group intends to maintain the same target of RM4 billion Gross Sales from Malaysia + a 27% proportionate share of EWI sales.

4. Variance of Actual Profit from Forecast Profit

There were no profit forecast published as at 31 October 2016.

5. Income Tax

Income Tax comprises:-

	3 MONTHS		12 MONTHS	
	31/10/2016	31/10/2015	31/10/2016	31/10/2015
	RM'000	RM'000	RM'000	RM'000
Current tax				
- for current quarter/year	27,169	33,041	96,125	68,449
- in respect of prior years	1,308	-	3,458	3,293
Deferred tax				
- for current quarter/year	(13,952)	(17,727)	(31,378)	(39,191)
- in respect of prior years	(486)	(129)	(4,304)	(2,489)
	<u>14,039</u>	<u>15,185</u>	<u>63,901</u>	<u>30,062</u>

The Group's effective tax rate for the current quarter and financial year-to-date is higher than the statutory tax rate mainly due to certain non-tax deductible expenses.

6. Status of Corporate Proposals

(a) The following are the corporate proposals that have been announced by the Company and which were not yet completed as at 1 December 2016, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report:-

- (i) On 10 December 2015, the Company expressed its interest to subscribe for up to 30% of the enlarged share capital of Eco World International Berhad (“EWI”) under a Proposed Initial Public Offering (“Proposed IPO”) which has been approved by the Securities Commission.

On 27 October 2016, Eco World Capital (International) Sdn Bhd (“EW Capital”), a wholly-owned subsidiary of the Company entered into a conditional share subscription agreement with EWI for the subscription by EW Capital of such number of ordinary shares of RM1.00 each in EWI (“EWI Shares”), representing 27.0% of the enlarged issued and paid-up share capital of EWI upon the Proposed Listing of EWI (“Proposed EWI Subscription”). On the same day, the Company entered into a conditional collaboration agreement with EWI to establish a framework for mutual collaboration and strategic alliance between them (“Proposed Collaboration”).

In conjunction with the Proposed IPO of EWI, GuocoLand Limited (“GuocoLand”), through a wholly-owned subsidiary, proposes to enter into a conditional subscription agreement for the subscription of such number of new EWI Shares, representing 27.0% of the enlarged issued and paid-up share capital of EWI on terms and conditions to be mutually agreed (“Proposed GuocoLand Subscription”).

Arising from the Proposed EWI Subscription and Proposed GuocoLand Subscription, the Company, Tan Sri Dato’ Sri Liew Kee Sin (“Tan Sri Liew”) and GuocoLand have on 27 October 2016 entered into a conditional agreement to regulate their relationship with one another as shareholders in EWI and in relation to their voting shares and the exercise of their voting rights in EWI (“Shareholders’ Agreement”).

An Extraordinary General Meeting of the Company will be convened to seek shareholders’ approval for the Proposed EWI Subscription, the Proposed Collaboration and the Shareholders’ Agreement.

- (ii) On 22 September 2015, Paragon Pinnacle Sdn. Bhd. (“PPSB”), a wholly-owned subsidiary of the Company, entered into several conditional sale and purchase agreements (“SPAs” comprising SPA1, SPA2, SPA3, SPA4 and SPA5) with Mujur Zaman Sdn. Bhd., Ringgit Exotika Sdn. Bhd., Liputan Canggih Sdn. Bhd. and LBCN Development Sdn. Bhd. (collectively known as “Vendors”), for the proposed acquisition of leasehold lands measuring approximately 2,198.40 acres in Mukim Ijok, District of Kuala Selangor, Negeri Selangor (“Ijok Land”) for a total purchase consideration of RM1,181,335,536.65 (“Proposed Ijok Land Acquisitions”).

The Proposed Ijok Land Acquisitions are subject to fulfilment of conditions precedent and, amongst others, the approval of the Company’s shareholders at an extraordinary general meeting which was obtained on 24 March 2016.

In view of the relevant conditions precedents of certain pieces of the Ijok Land having been fulfilled and in order to facilitate the completion of the Proposed Ijok Land Acquisitions expeditiously, PPSB had on 5 September 2016, entered into several supplemental agreements for the purpose of splitting SPA1 and SPA3 into 2 tranches each to be comprised in SPA1A and SPA1B and SPA3A and SPA3B.

By virtue of the said supplemental agreements, SPA 1A, SPA 2 and SPA 3A had become unconditional on 16 August 2016 while SPA 1B, SPA 3B, SPA 4 and SPA 5 remain conditional and which period to fulfil the remaining conditions precedent was subsequently extended to expire on 31 December 2016.

On 2 November 2016, SPA 1A and SPA 2 was completed.

6. Status of Corporate Proposals (continued)

On 15 November 2016, the Company, Employees Provident Fund (“EPF”) and PPSB entered into a subscription and shareholders’ agreement (“SSA”), whereby EPF agreed to participate in and subscribe to PPSB (presently a wholly-owned subsidiary of the Company) to, jointly undertake, through PPSB, the development of the Ijok Lands as a mixed residential and commercial development to be known as “Eco Grandeur” and an integrated business park to be known as “Eco Business Park V”. Pursuant to the SSA, the Company will hold 60% equity interest in PPSB while EPF will hold the balance 40% thereof.

- (iii) On 28 April 2016, the Company proposed to undertake a placement of up to 591,066,319 new ordinary shares of RM0.50 each in the Company (“Placement Shares), representing up to 25% of the existing issued and paid-up share capital of the Company (“Proposed Placement”).

The Proposed Placement will enable the Company to raise the necessary funds to part finance the Proposed EWI Subscription referred to in 6(a)(i) above. In addition, the funds raised will also finance the various land acquisitions and property development projects currently being undertaken by the Group.

As at 19 October 2016, the placement of 385,426,527 shares were completed, following the listing of and quotation for 385,426,527 Placement Shares on the Main Market of Bursa Securities. Subsequently, on 25 November 2016, the placement of 47,000,000 shares were completed, following the listing of and quotation for 47,000,000 Placement Shares on the Main Market of Bursa Securities.

The remaining up to 158,639,792 Placement Shares will be issued in a subsequent tranche(s) within six (6) months from the date of approval from Bursa Securities for the listing of and quotation for the Placement Shares or any extended period as may be approved by Bursa Securities, subject to, amongst others, prevailing market conditions and investors’ interest at the point of implementation;

- (iv) On 28 June 2016, Eco Horizon Sdn. Bhd. (formerly known as Teraju Pasifik Sdn. Bhd.) (“Eco Horizon”), a wholly-owned subsidiary of the Company, entered into the following agreements:

- (a) a conditional sale and purchase agreement with Batu Kawan Development Sdn. Bhd. (“BKDSB”) for the proposed acquisition of land known as Parcel A measuring approximately 300.074 acres for a cash consideration of RM681,988,877.76 (“Parcel A SPA”).

Pursuant to the terms of the Parcel A SPA, Eco Horizon had also on 28 June 2016, entered into a revocation and rescission agreement with BKDSB and Silver Setup Sdn. Bhd. (“SSSB”) for the revocation and rescission of a joint development agreement made between BKDSB and SSSB dated 10 October 2012 in respect of Parcel A (“Revocation Agreement”). Pursuant to the Revocation Agreement, Eco Horizon had agreed to pay SSSB a revocation sum of RM50.0 million (“Revocation Sum”), subject to the completion of the Parcel A SPA.

As such, the aggregate consideration to be paid by Eco Horizon for the acquisition of Parcel A shall be RM731,988,877.76, comprising the Parcel A price and the Revocation Sum; and

- (b) a conditional sale and purchase agreement with BKDSB and Penaga Pesona Sdn. Bhd. for the proposed acquisition of land known as Parcel B measuring approximately 74.491 acres for a cash consideration of RM143,253,376.20 (“Parcel B SPA”).

6. Status of Corporate Proposals (continued)

The Parcel A SPA and Parcel B SPA are conditional upon the fulfillment of conditions precedent within five (5) months from the date of the Parcel A SPA and Parcel B SPA or such other further extended period(s) as shall be mutually agreed by Eco Horizon, BKDSB and SSSB respectively.

As announced on 11 November 2016, Eco Horizon and the Vendors have mutually agreed to extend the Approval Period from 28 November 2016 to 16 January 2017; and

- (v) On 13 October 2016, the Company, entered into a joint venture agreement (“JVA”) with UDA Retail Sdn. Bhd. (“UDACo”), Naungan Sentosa Sdn. Bhd. (“EPFCo”) and Retail Investment Two Pte. Ltd. (“MFACo”) for the proposed investment in MFBCC Retail Mall Sdn. Bhd. (“JV Company”) and to regulate each of their respective rights and obligations amongst them in respect of the establishment, ownership, management and operation of the JV Company. Pursuant to the JVA, the Company will hold 12% equity interest in the JV Company while MFACo will hold 50%, UDACo will hold 32% and EPFCo will hold the remaining 6% thereof.

The JV Company in turn entered into a sale and purchase agreement dated 13 October 2016 (“Retail Mall SPA”) with BBCC Development Sdn. Bhd. as developer and UDA Holdings Bhd as proprietor for the proposed acquisition by the JV Company of the spaces and areas, above and under, within and through part of the BBCC Project development land, within which a retail mall will be constructed by the JV Company, at its sole cost and expense, for a purchase consideration of RM472,482,500. It is also a term in the Retail Mall SPA that the JV Company, BBCC and UDA will enter into a further sale and purchase agreement for the proposed acquisition by the JV Company of several retail shops planned within the BBCC Project on terms and subject to the conditions to be mutually agreed upon.

- (b) Utilisation of proceeds raised from corporate proposals as at 31 October 2016 are as follows:

Proceeds totaling RM501.1 million were raised under the first tranche of the Placement exercise which was completed on 19 October 2016. The status of the utilisation of these proceeds is as set out below:-

Purpose	Proposed utilisation RM'mil	Actual utilisation RM'mil	Balance unutilised RM'mil	Intended timeframe for utilisation from completion date
To part finance the proposed subscription of new ordinary shares in EWI	138.7	-	138.7	Within six (6) months
To part finance the proposed land acquisition in Mukim Ijok	93.0	(79.0)	14.0	Within six (6) months
Working capital requirements	71.7	(48.3)	23.4	On-going
Repayment of bank borrowings	195.0	(195.0)	-	Within one (1) month
Estimated expenses in relation to the Proposed Placement	2.7	(0.3)	2.4	Within six (6) months
Total	501.1	(322.6)	178.5	

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 31 October 2016 were as follows:-

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Bank Overdrafts	-	16,585	16,585
Short Term Bank Borrowings	300,332	500,000	800,332
Long Term Bank Borrowings	1,943,361	101,625	2,044,986
	<u>2,243,693</u>	<u>618,210</u>	<u>2,861,903</u>

There were no bank borrowings denominated in foreign currencies as at the reporting date.

8. Material Litigation

The Group was not engaged in any material litigation as at 1 December 2016 (the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report).

9. Dividends Declared

No interim dividend has been declared or paid in respect of the financial year ended 31 October 2016.

10. Earnings Per Share Attributable To Owners of The Company

Earnings per share has been calculated by dividing the Group's profit for the current quarter and financial year to-date attributable to owners of the Company by the number of shares in issue as follows:-

	3 MONTHS ENDED		12 MONTHS ENDED	
	31/10/2016	31/10/2015	31/10/2016	31/10/2015
Profit for the period/year attributable to owners of the Company (RM'000)	<u>29,354</u>	<u>19,693</u>	<u>129,281</u>	<u>43,952</u>
Number of ordinary shares at beginning of the period/year ('000)	2,364,265	2,364,265	2,364,265	506,634 *
Effect of shares issued pursuant to:				
- Share subscription	-	-	-	592,425
- Rights issue	-	-	-	386,847
- Placement	<u>58,652</u>	<u>-</u>	<u>14,743</u>	<u>179,209</u>
Weighted average number of ordinary shares ('000)	<u>2,422,917</u>	<u>2,364,265</u>	<u>2,379,008</u>	<u>1,665,115</u>
Basic Earnings Per Ordinary Share (sen)	<u>1.21</u>	<u>0.83</u>	<u>5.43</u>	<u>2.64</u>

* Adjusted to take into account the effects of subdivision of 1 ordinary share of RM1.00 each into 2 ordinary shares of RM0.50 each pursuant to the share split exercise which was completed on 23 January 2015.

10. Earnings Per Share Attributable To Owners of The Company (continued)

Diluted earnings per share has been calculated by dividing the Group's profit attributable to equity holders of the Company by the weighted average number of 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		12 MONTHS ENDED	
	31/10/2016	31/10/2015	31/10/2016	31/10/2015
Profit for the period/year attributable to owners of the Company (RM'000)	<u>29,354</u>	<u>19,693</u>	<u>129,281</u>	<u>43,952</u>
Weighted average number of ordinary shares for basic Earnings Per Ordinary Share ('000)	2,422,917	2,364,265	2,379,008	1,665,115
Effect of potential exercise of Warrants ('000)	<u>#</u>	<u>#</u>	<u>#</u>	<u>#</u>
Weighted average number of ordinary shares ('000)	<u>2,422,917</u>	<u>2,364,265</u>	<u>2,379,008</u>	<u>1,665,115</u>
Diluted Earnings Per Ordinary Share (sen) *	<u>1.21</u>	<u>0.83</u>	<u>5.43</u>	<u>2.64</u>

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

* *Anti-dilutive*

11. Realised and Unrealised Profits

The breakdown of the Group's retained profits as at 31 October 2016 into realised and unrealised profits pursuant to Bursa Malaysia's directive, is as follows:-

	31/10//2016 RM'000	31/10/2015 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	252,838	140,271
- Unrealised	<u>53,279</u>	<u>22,321</u>
	306,117	162,592
Total share of accumulated losses from a joint venture:		
- Realised	(18,920)	(2,673)
- Unrealised	<u>4,135</u>	<u>617</u>
	(14,785)	(2,056)
Consolidation adjustments	<u>(45,667)</u>	<u>(44,152)</u>
Total Group retained profits as per consolidated accounts	<u>245,665</u>	<u>116,384</u>

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

The disclosure of realised and unrealised profits above is solely for complying with the disclosure requirements stipulated in Bursa Malaysia's directive and should not be applied for any other purposes.

12. Auditors' Report on Preceding Annual Financial Statements

The preceding audited financial statements for the financial year ended 31 October 2015 were unqualified.

13. Notes to the Statement of Comprehensive Income

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

	3 MONTHS ENDED 31/10//2016 RM'000	12 MONTHS ENDED 31/10//2016 RM'000
Interest income	4,844	13,867
Other income including investment income	3,690	7,937
Interest expense	(13,628)	(30,958)
Depreciation and amortisation	(7,206)	(22,926)
Provision for write off of receivables	N/A	N/A
Provision for and write off of inventories	N/A	N/A
Gain or loss on disposal of quoted or unquoted investments or properties	N/A	N/A
Impairment of assets	N/A	N/A
Foreign exchange gain or loss	(70)	(155)
Gain or loss on derivatives	N/A	N/A
Exceptional items	N/A	N/A

By order of the Board

Chua Siew Chuan
Company Secretary