

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

Interim Financial Report
30 April 2017

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Interim Financial Report - 30 April 2017

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

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 APRIL 2017
(The figures have not been audited)

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 APRIL 2017 RM'000	30 APRIL 2016 RM'000	30 APRIL 2017 RM'000	30 APRIL 2016 RM'000
Revenue	670,018	614,602	1,262,732	1,078,113
Cost of sales	(538,857)	(466,999)	(1,005,239)	(820,798)
Gross profit	<u>131,161</u>	<u>147,603</u>	<u>257,493</u>	<u>257,315</u>
Other items of income	15,915	4,381	126,234	9,841
Selling and marketing expenses	(20,030)	(22,944)	(32,124)	(54,738)
Administrative expenses	(59,417)	(68,826)	(136,058)	(115,974)
Finance costs	(14,571)	(6,662)	(26,089)	(9,803)
Share of results of joint ventures	(2,823)	(1,682)	(7,436)	(3,608)
Share of results of an associated company	(258)	-	(431)	-
Profit before tax	<u>49,977</u>	<u>51,870</u>	<u>181,589</u>	<u>83,033</u>
Income taxation expense	(16,296)	(17,194)	(31,743)	(27,686)
Profit net of tax	<u>33,681</u>	<u>34,676</u>	<u>149,846</u>	<u>55,347</u>
Other comprehensive (loss)/income				
<i>Other comprehensive (loss)/income to be reclassified to profit or loss in subsequent periods (net of tax):</i>				
Exchange differences on translation of foreign operations	(15)	17	109	(406)
Total comprehensive income for the period	<u>33,666</u>	<u>34,693</u>	<u>149,955</u>	<u>54,941</u>
Profit net of tax attributable to:				
Owners of the Company	33,681	34,676	149,846	55,347
Non-controlling interests	-	-	-	-
	<u>33,681</u>	<u>34,676</u>	<u>149,846</u>	<u>55,347</u>
Total comprehensive income attributable to:				
Owners of the Company	33,666	34,693	149,955	54,941
Non-controlling interests	-	-	-	-
	<u>33,666</u>	<u>34,693</u>	<u>149,955</u>	<u>54,941</u>
Earnings per share attributable to owners of the Company:				
Basic earnings per share (sen)	<u>1.16</u>	<u>1.47</u>	<u>5.28</u>	<u>2.34</u>
Diluted earnings per share (sen) *	<u>1.16</u>	<u>1.47</u>	<u>5.28</u>	<u>2.34</u>

* Anti-dilutive

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 October 2016 and the accompanying explanatory notes.)

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 APRIL 2017

	As At 30 APRIL 2017 Unaudited RM'000	As At 31 OCTOBER 2016 Audited RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	209,086	212,621
Investment properties	18,897	18,589
Land held for property development	3,821,835	4,160,130
Investment in joint ventures	1,162,717	298,949
Investment in an associate	10,883	-
Amount due from joint ventures	350,308	186,963
Amount due from an associate	-	-
Deferred tax assets	80,226	66,033
	<u>5,653,952</u>	<u>4,943,285</u>
Current assets		
Property development costs	2,326,111	2,305,746
Gross amount due from customer	6,143	-
Inventories	24,707	24,884
Trade and other receivables	866,405	964,551
Current tax assets	33,314	30,044
Deposits	67,333	234,623
Cash and bank balances	205,767	338,844
	<u>3,529,780</u>	<u>3,898,692</u>
TOTAL ASSETS	<u>9,183,732</u>	<u>8,841,977</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	3,614,875	1,374,846
Share premium	-	1,971,010
Warrants reserve	194,395	194,395
Foreign currency translation reserve	895	786
Retained earnings	395,511	245,665
Total equity	<u>4,205,676</u>	<u>3,786,702</u>
Non-current liabilities		
Other payables	90,293	180,646
Long term borrowings	2,160,568	2,044,986
Deferred tax liabilities	51,168	43,728
	<u>2,302,029</u>	<u>2,269,360</u>
Current liabilities		
Gross amount due to customers	-	234
Trade and other payables	1,604,636	1,954,160
Bank overdrafts	24,208	16,585
Short term borrowings	1,032,716	800,332
Current tax liabilities	14,467	14,604
	<u>2,676,027</u>	<u>2,785,915</u>
Total liabilities	<u>4,978,056</u>	<u>5,055,275</u>
TOTAL EQUITY AND LIABILITIES	<u>9,183,732</u>	<u>8,841,977</u>
Net Assets Per Share (RM)	<u>1.43</u>	<u>1.38</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 October 2016 and the accompanying explanatory notes.)

ECO WORLD DEVELOPMENT GROUP BERHAD
(Company No: 17777-V)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 APRIL 2017
(The figures have not been audited)

	← Attributable to Equity Holders of the Company →					Total Equity RM'000
	Share capital RM'000	Share premium RM'000	Warrants reserve RM'000	Foreign currency translation reserve RM'000	Distributable Retained earnings RM'000	
At 1 November 2016	1,374,846	1,971,010	194,395	786	245,665	3,786,702
Profit for the period	-	-	-	-	149,846	149,846
Other comprehensive income	-	-	-	109	-	109
Issuance of ordinary shares:						
- Placement	231,419	37,600	-	-	-	269,019
Effects from adoption of Companies Act 2016	2,008,610	(2,008,610)	-	-	-	-
At 30 April 2017	3,614,875	-	194,395	895	395,511	4,205,676
At 1 November 2015	1,182,132	1,662,972	194,395	992	116,384	3,156,875
Profit for the period	-	-	-	-	55,347	55,347
Other comprehensive loss	-	-	-	(406)	-	(406)
At 30 April 2016	1,182,132	1,662,972	194,395	586	171,731	3,211,816

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 October 2016 and the accompanying explanatory notes.)

ECO WORLD DEVELOPMENT GROUP BERHAD

(Company No: 17777-V)

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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 30 APRIL 2017

(The figures have not been audited)

	6 MONTHS ENDED	
	30 APRIL 2017	30 APRIL 2016
	RM'000	RM'000
Operating activities		
Profit before tax	181,589	83,033
Adjustments for :		
Non-cash items	(74,971)	24,982
Non-operating items	9,396	3,467
Operating cash flows before changes in working capital	116,014	111,482
Changes in property development expenditure	(219)	(42,733)
Changes in gross amount due from customers	(6,377)	506
Changes in inventories	176	386
Changes in receivables	71,938	(112,459)
Changes in payables	48,121	162,353
Cash flows used in operations	229,653	119,535
Interest received	2,886	2,083
Interest paid	(70,251)	(45,230)
Rental received	240	108
Net income taxes paid	(43,492)	(43,307)
Net cash flows generated from operating activities	119,036	33,189
Investing activities		
Additions to land held for property development	(515,333)	(544,160)
Purchase of property, plant and equipment and investment properties	(9,935)	(17,180)
Proceeds from disposal of property, plant and equipment	693	189
Development expenditure paid	(2,856)	(2,901)
Disposal of a subsidiary company	(11,252)	-
Acquisition of a joint venture	(777,600)	-
Acquisition of an associate	*	-
Additional investment in an associate	(11,314)	-
Repayment from/(Advances to) joint ventures	26,206	(128,796)
Other investments	14,319	42,872
Net cash flows used in investing activities	(1,287,072)	(649,976)
Financing activities		
Proceeds from issue of shares by the Company	269,019	-
Advances from a shareholder/ director	-	100,000
Drawdown of bank borrowings	938,079	504,618
Repayment of bank borrowings	(336,409)	(292,915)
Net cash flows generated from financing activities	870,689	311,703
Net decrease in cash and cash equivalents	(297,347)	(305,084)
Effect of exchange rate changes	31	(58)
Cash and cash equivalents at 1 November 2016 / 2015	482,081	443,469
Cash and cash equivalents at 30 April 2017 / 2016	184,765	138,327
Cash and cash equivalents comprise the following:		
Deposits	67,333	22,111
Cash and bank balances	205,767	154,640
Bank overdrafts	(24,208)	(6,802)
	248,892	169,949
Less: Deposit pledged, Sinking Fund, Debt Service Reserve and Escrow Accounts	(64,127)	(31,622)
	184,765	138,327

* Represents RM12

(The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 October 2016 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 2016.

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 for the financial year ended 31 October 2016 except as follows:

- (i) Adoption of the following Amendments to FRSs, which are relevant and effective for annual periods beginning on or after 1 January 2016:-

Amendments to FRS 116 and FRS 138	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to FRS 11	Accounting for Acquisitions of Interests in Joint Operations
Amendments to FRS 127	Equity Method in Separate Financial Statements
Amendments to FRS 5, FRS 7, FRS 119 and FRS 134	Annual Improvements to FRSs 2012-2014 Cycle
Amendments to FRS 101	Disclosure Initiative

- (ii) Adoption of the Companies Act 2016.

The Minister of Domestic Trade, Co-operatives and Consumerism has appointed 31st January 2017 as the date on which the Companies Act 2016 comes into operation, except for Section 241 and Division 8 of Part III.

According to the circular issued by Malaysian Institute of Accountants on 2 February 2017, the Companies Commission of Malaysia had clarified that the Companies Act 2016 should be complied with for the preparation of financial statements, the directors’ reports and the auditors’ reports thereon commencing from the financial year/period ended 31 January 2017.

Following the requirements of the Companies Act 2016, the credit balance in the Company’s share premium account was reclassified to the share capital account on 31 January 2017. Such credit balance may be utilised for purposes set out in transitional provisions of the Act, within 24 months from 31 January 2017.

2. Seasonal or Cyclical Factors

The business operations of the Group during the 6 months ended 30 April 2017 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 affecting assets, liabilities, equity, net income or cash flows during the 6 months ended 30 April 2017.

4. Changes in Estimates

There were no material changes in estimates for the 6 months ended 30 April 2017.

5. Debts 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 6 months ended 30 April 2017 except for the following:

- i) issuance of 110,783,876 new ordinary shares pursuant to a previously announced Placement at an issue price of RM1.30 each; and
- ii) issuance of 83,892,700 new ordinary shares pursuant to a previously announced Placement at an issue price of RM1.49 each.

The total cash proceeds arising from the Placement amounted to RM269,019,162.

47,000,000 Placement shares at an issue price of RM1.30 each were listed on the Main Market of Bursa Malaysia on 25 November 2016. The balance of above-mentioned Placement shares were listed on the Main Market of Bursa Malaysia on 6 March 2017.

6. Dividends Paid

There were no payment of dividend during the 6 months ended 30 April 2017.

7. Segmental Reporting

No segmental reporting is presented as the Group is primarily engaged in the business of property development in Malaysia.

8. Events after the End of the Interim Financial Period

There were no significant events after 30 April 2017 till 8 June 2017 (the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report), except as disclosed in Note 6(a)(iii) and Note 6(a)(iv) on page 13.

9. Changes in the Composition of the Group

There were no changes in the composition of the Group during the 6 months ended 30 April 2017 except as follows:

- (i) On 4 November 2016, the Company subscribed for 12 ordinary shares at a price of RM1.00 each in MFBBCC Retail Mall Sdn. Bhd. (“MFBBCC Retail Mall”). As a result, MFBBCC Retail Mall became a 12%-owned associate of the Company.

On 17 March 2017 and 30 March 2017, respectively, the Company subscribed for an additional 359,988 ordinary shares at a price of RM1.00 each and 10,953,600 Redeemable Preference Shares at a price of RM1.00 each in MFBBCC Retail Mall.

The equity interest held by the Company in MFBBCC Retail Mall remained unchanged at 12% following these subscriptions;

- (ii) On 15 November 2016, Paragon Pinnacle Sdn. Bhd. (“Paragon Pinnacle”), a then wholly-owned subsidiary of the Company, entered into a subscription and shareholders’ agreement (“the SSA”) with the Employees Provident Fund Board (“the EPF”) and the Company.

Pursuant to the SSA, the EPF subscribed for 4,000,000 new ordinary shares in Paragon Pinnacle on 20 December 2016.

This resulted in Paragon Pinnacle ceasing to be a subsidiary and becoming a 60%-owned joint venture of the Company; and

- (iii) On 30 March 2017, Eco World Capital (International) Sdn. Bhd. (“EWCI”), a wholly-owned subsidiary of the Company, subscribed for 648,000,000 new ordinary shares at a price of RM1.20 each in Eco World International Berhad (“EWI”) pursuant to EWI’s Initial Public Offering (“Subscription”).

As a result, EWI became a 27%-owned joint venture of the Company by virtue of the Company’s interest in EWCI.

10. Contingent Liabilities

The guarantee of RM10,996,000 that was given to a bank to secure performance bonds granted to a joint venture in the previous financial year has been cancelled.

Hence, as at 30 April 2017, there were no contingent liabilities.

11. Commitments

	As at 30/04/2017 RM'000
Commitments of subsidiary companies:	
Approved and contracted for:-	
Commitment to subscribe for shares in MFBBC Retail Mall	240
Commitment to purchase development lands	787,718
Commitment to acquire plant and equipment	<u>11,081</u>
Share of commitments of joint ventures:	
Approved and contracted for:-	
Commitment to purchase development lands	309,806
Commitment to acquire plant and equipment	6,939
Commitment to acquire investment properties	2,180
Commitment to fund a joint venture by way of share subscription and shareholders' loans	190,364
Commitment to subscribe for shares in a subsidiary	<u>105</u>

12. Significant Related Party Transactions

	6 MONTHS ENDED 30/04/2017 RM'000
(i) Transactions with shareholders/directors of the Company and subsidiary companies, and companies in which they have interests	
- Revocation of sale of development property by immediate family member of a director of the Company	1,936
- Rental paid and payable to companies in which a director has interest	123
- Commission charged to a company in which a director has interest	151
- Disposal of office equipment and a motor vehicle to companies in which a director has interest	<u>649</u>
(ii) Transactions with joint ventures	
- Advances given	67,072
- Interest received and receivable	12,174
- Sales of building materials	93
- Development management fees received and receivable	5,298
- Brand licensing fees received and receivable	214
- Advisory fees received and receivable	112
- Staff secondment fees received and receivable	6,344
- Disposal of motor vehicles and office equipment	<u>30</u>
(iii) Transactions with an associate	
- Advances given	7,440
- Interest received and receivable	<u>153</u>

**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 (2Q 2017 vs 2Q 2016)

Revenue for the Group for 2Q 2017 was RM670.0 million, which is 9.0% higher than the RM614.6 million reported in 2Q 2016. The Group reported a profit before taxation (“PBT”) of RM50.0 million for 2Q 2017, which is 3.7% lower than the RM51.9 million reported for 2Q 2016.

This is due to lower gross profit margins in 2Q 2017 mainly attributable to affordable products launched by *Eco Botanic & Eco Majestic* last year which have been included in the results of the current quarter. The impact of the lower margin products was however mitigated by lower selling and marketing expenses as well as lower administrative expenses incurred in 2Q 2017 as compared to 2Q 2016.

Other ongoing projects which contributed to the revenue and gross profit in 2Q 2017 include *Eco Sanctuary* and *Eco Sky* in the Klang Valley, *Eco Spring*, *Eco Summer* and *Eco Business Park 1*, *Eco Tropics* and *Eco Business Park III* in Iskandar Malaysia as well as *Eco Meadows* and *Eco Terraces* in Penang.

(b) Performance of the 6 months ended 30 April 2017 against the same period in the preceding year (2Q YTD 2017 vs 2Q YTD 2016)

During 2Q YTD 2017, the Group achieved a PBT of RM181.6 million on the back of RM1,262.7 million in revenue, representing an 118.8% increase in PBT and 17.1% increase in revenue as compared to 2Q YTD 2016.

The higher % increase in PBT is as compared to the % increase in revenue is mainly due to the inclusion of a gain on dilution of equity interest in Paragon Pinnacle which arose from the application of FRS 10 – Consolidated Financial Statements in 1Q 2017. Please refer to the 1Q 2017 results announcement for details.

Excluding the abovementioned gain, the PBT for 2Q YTD 2017 would have been RM86.8 million, which is 4.6% higher than the RM83.0 million reported in 2Q YTD 2016.

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

The Group's 2Q 2017 revenue of RM670.0 million is RM77.3 million lower than that of 1Q 2017.

However, the Group's 2Q 2017 PBT of RM50.0 million is RM81.6 million lower than that of 1Q 2017. This is due to the inclusion of the gain on dilution of equity interest in Paragon Pinnacle in 1Q 2017 as mentioned above.

Excluding the financial impact of the gain on dilution, the PBT for 2Q 2017 would have been 35.9% higher than that of 1Q 2017.

3. Prospects for the Current Financial Year

The Board is pleased to announce that the Group achieved sales totalling RM552 million from its Malaysian projects in the second quarter of FY2017. As at 31 May 2017, year-to-date Group sales amounted to RM1.705 billion which is approximately 30% higher than the year-to-date sales secured during the corresponding period in FY2016 of RM1.315 billion. The Group's 6 projects in the Klang Valley contributed RM1.329 billion, its 7 projects in Iskandar Malaysia contributed RM331 million and the current 2 projects in Penang contributed RM45 million.

Apart from continued positive momentum experienced by the three new large-scale Klang Valley projects launched at the end of the last financial year, the Group's other projects also recorded increased sales following the "*My Happy Place*" campaign held from March – May 2017.

This group-wide campaign was inspired by EcoWorld's mission of building vibrant, happy, well-networked and cohesive communities within all its developments. The Group's popular *Illuminations Flower Show* was brought back by *Eco Majestic* to highlight the beauty of the living environment surrounding each home. The richness and infinite variety of global culture and cuisine were celebrated through the *World Culture Festivals* organised by *Eco Spring, Eco Summer & Eco Tropics* and *World Cuisine Carnivals* hosted by *Eco Botanic, Eco Sanctuary & Eco Meadows*.

At projects which have recently or will shortly be handing over the 1st phase of properties, a series of familiarisation talks and appreciation gatherings were initiated. These events aim to make the moving-in, setting-up home and setting-up business experience a hassle-free and enjoyable occasion for customers, their families and business associates. EcoWorld's commitment to customer service was further exemplified through the establishment of One-Stop-Service Centres as part of its *EcoWorld Residence Clubs* to provide Property Care & Common Area Support Services to residents at each newly handed over development.

Various projects also took the opportunity to showcase different aspects of their unique selling points to cater to their specific target markets. *BBCC* utilised its well-designed Event Hall which integrates seamlessly with the brand new Sales & Show Gallery to organise multiple leisure-tainment parties, intimate concerts as well as investment-themed seminars in keeping with its *Where Life / Work is Spectacular* tagline. *Eco Grandeur* partnered with the News Straits Times to organise the inaugural *C-Cycle Challenge 2017* which received overwhelming support from large numbers of international cyclists as well as young families from all over the Klang Valley. A new EcoWorld Gallery was also opened at *Eco Business Park II* where business talks & networking events are regularly convened to enable the Group to better serve its growing business park customers down South.

The strong engagement achieved through the above efforts brought in a fresh new wave of customers and additional referrals which were successfully converted into sales by the Group's many projects in the Klang Valley, Iskandar Malaysia and Penang.

EcoWorld's endeavours to create holistic living environments with ample amenities for residents also received a boost during the 2nd quarter. In March 2017, a Memorandum of Understanding (MoU) was inked with the University of Reading Malaysia (UoRM) to collaborate on providing quality accommodation to students of the university at the *Eco Nest* serviced apartments within *Eco Botanic*. Thereafter, two MOUs were signed in April 2017 with Brainy Bunch International Islamic Montessori (Brainy Bunch) to explore the opportunity for Brainy Bunch to develop and operate an International School in Eco Grandeur and a Montessori Kindergarten in Eco Tropics. More recently in May 2017, *Eco Ardence* launched its first commercial development named *Ardence Crest* comprising lifestyle shop offices which has received very encouraging response. Each unit comes with double volume ceilings on the ground floor, which is suitable for food & beverage businesses, showrooms and retail boutiques, and has been designed to complement the lifestyle of residents whilst adding to the commercial vibrancy of the township as a whole.

3. Prospects for the Current Financial Year (continued)

The 2nd half of FY2017 will see the launch of three new projects namely *Eco Forest* and *Eco Business Park V* in the Klang Valley as well as *Eco Horizon* in Penang. These projects are expected to contribute towards the Group's sales in the 4th quarter of FY2017.

Based on sales secured to date and the plans which are underway for the next two quarters, the Board is confident that the Company is well-positioned to achieve its sales target of RM4 billion sales in Malaysia for FY 2017.

On 3rd April 2017 the Group completed its subscription for a 27% stake in Eco World International Berhad (EWI) in conjunction with its Initial Public Offering. EWI announced today that for the 1st half of FY2017 it had achieved sales of RM1.051 billion. Demand for all three of its projects in London remain strong bolstered by good construction progress on site and positive developments in the surrounding areas where the projects are located.

To boost its project pipeline, EWI recently announced its acquisition of an 80% stake in a company which owns a strategically located site in South Yarra, Melbourne. This will extend EWI's geographical reach to three global cities namely London, Sydney and Melbourne which augurs well for the Group's growth prospects through its share of EWI's future profits once the respective projects are completed.

As at 31 May 2017, EWI's cumulative sales stood at RM6.738 billion based on exchange rates as at 31 May 2017.

This brings the Group's share of unbilled progress billings as at 31 May 2017 to RM6.317 billion, after taking into account amounts billed up to 30 April 2017, with RM4.898 billion contributed by its Malaysian projects and RM1.419 billion being its effective share of the sales secured by EWI.

4. Variance of Actual Profit from Forecast Profit

There were no profit forecast published as at 30 April 2017.

5. Income Tax

Income Tax comprises:-

	3 MONTHS		6 MONTHS	
	30/04/2017	30/04/2016	30/04/2017	30/04/2016
	RM'000	RM'000	RM'000	RM'000
Current tax				
- for current quarter	16,132	28,303	34,388	54,936
- in respect of prior years	-	-	5,698	-
Deferred tax				
- for current quarter	(41)	(11,109)	(3,347)	(27,253)
- in respect of prior years	205	-	(4,996)	3
	<u>16,296</u>	<u>17,194</u>	<u>31,743</u>	<u>27,686</u>

The Group's effective tax rate for 2Q 2017 is higher than the statutory tax rate mainly due to certain non-tax deductible expenses.

The Group's effective tax rate for 2Q YTD 2017 is lower than the statutory tax rate because the gain arising from the dilution of the Group's interest in Paragon Pinnacle is not taxable.

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 8 June 2017, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report:-

(i) Arising from the Proposed EWI Subscription and Proposed GuocoLand Subscription, the Company, Tan Sri Dato' Sri Liew Kee Sin and GuocoLand entered into a conditional agreement on 27 October 2016 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 ("Proposed Shareholders' Agreement").

On 20 February 2017, the Company's shareholders approved the Proposed Subscription, Proposed Collaboration and Proposed Shareholders' Agreement. On the same day, GLL EWI (HK) Limited, an indirect wholly-owned subsidiary of GuocoLand, entered into a conditional share subscription agreement with EWI for the Proposed GuocoLand Subscription.

On 3 April 2017, EWI Shares and EWI Warrants were listed on the Main Market of Bursa Securities. As such, the Collaboration Agreement and Shareholders' Agreement also took effect on that date.

(ii) On 22 September 2015, Paragon Pinnacle, then 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 "the 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 were subject to fulfilment of conditions precedent, amongst others, the approval of the Company's shareholders at an extraordinary general meeting, which was obtained on 24 March 2016.

As the relevant conditions precedents relating to certain pieces of the Ijok Land have been fulfilled and in order to expedite the completion of the Proposed Ijok Land Acquisitions, Paragon Pinnacle entered into several supplemental agreements for the purpose of splitting certain SPAs into tranches.

The status of the respective SPAs are as follows:

SPA	Completion Date
1A	2 November 2016
2	2 November 2016
4A	10 February 2017
3A	16 February 2017
3B	16 February 2017
1B, 4B and 5	Still conditional

As announced on 31 March 2017, the period to fulfil the remaining conditions precedent under SPAs 1B, 4B and 5 has been extended to expire on 31 December 2017.

6. Status of Corporate Proposals (continued)

(iii) 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 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 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").

collectively known as "the Proposed Acquisitions".

On 20 February 2017, the Company's shareholders approved the Proposed Acquisitions.

On 23 March 2017, Eco Horizon and BKDSB mutually agreed to vary and supplement certain terms of Parcel A SPA in order to align the completion thereof with that of Parcel B SPA. On the same date, Eco Horizon fulfilled the Condition Precedent in the SPAs requiring Eco Horizon to obtain the approval of the EPU for the purchase of the Lands.

As announced on 29 May 2017, the period for the completion of Parcel A SPA and Parcel B SPA has been extended to 30 August 2017 to enable the remaining conditions precedent to be fulfilled.

- (iv) On 23 January 2017, the Company, the EPF and Eco Horizon entered into a subscription and shareholders' agreement ("SSA"). Under the SSA, EPF agreed to participate in and subscribe for a 40%-equity interest in Eco Horizon ("the Proposed EPF Subscription") while the Company will hold the remaining 60%-equity interest, to jointly undertake, through Eco Horizon, the development of the Lands as a mixed residential and commercial development to be known as "Eco Horizon" and "Eco Sun".

On 16 March 2017, the Company's shareholders approved the Proposed EPF Subscription.

As announced on 18 May 2017, the period for the completion of the SSA has been extended to expire on 23 August 2017 to enable the remaining conditions precedent to be fulfilled.

6. Status of Corporate Proposals (continued)

- (b) Proceeds totaling RM770.1 million were raised under the three tranches of the Placement exercise which were completed on 19 October 2016, 25 November 2016 and 6 March 2017. The status of the utilisation of the proceeds as at 30 April 2017 is as follows:

Purpose	Proposed utilisation RM'mil	Reallocation RM'mil	Actual utilisation RM'mil	Balance unutilised RM'mil
To part finance the proposed subscription of new ordinary shares in EWI	388.8	-	(388.8)	-
To part finance the proposed land acquisition in Mukim Ijok	93.0	-	(93.0)	-
Working capital requirements	90.6	2.2	(92.8)	-
Repayment of bank borrowings	195.0	-	(195.0)	-
Estimated expenses in relation to the Proposed Placement	2.7	(2.2)	(0.5)	-
Total	<u>770.1</u>	<u>-</u>	<u>(770.1)</u>	<u>-</u>

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 30 April 2017 were as follows:-

	Secured RM'000	Unsecured RM'000	Total RM'000
Bank Overdrafts	-	24,208	24,208
Short Term Bank Borrowings	457,716	575,000	1,032,716
Long Term Bank Borrowings	2,058,943	101,625	2,160,568
	<u>2,516,659</u>	<u>700,833</u>	<u>3,217,492</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 8 June 2017 (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 6 months ended 30 April 2017.

10. Earnings Per Share Attributable To Owners of The Company

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

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/4/2017	30/4/2016	30/4/2017	30/4/2016
Profit for the period attributable to owners of the Company (RM'000)	<u>33,681</u>	<u>34,676</u>	<u>149,846</u>	<u>55,347</u>
Number of ordinary shares at beginning of the period	2,796,692	2,364,265	2,749,692	2,364,265
Effect of shares issued pursuant to the Placement	<u>97,898</u>	<u>-</u>	<u>89,425</u>	<u>-</u>
Weighted average number of ordinary shares	<u>2,894,590</u>	<u>2,364,265</u>	<u>2,839,117</u>	<u>2,364,265</u>
Basic Earnings Per Ordinary Share (sen)	<u>1.16</u>	<u>1.47</u>	<u>5.28</u>	<u>2.34</u>

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		6 MONTHS ENDED	
	30/4/2017	30/4/2016	30/4/2017	30/4/2016
Profit for the period attributable to owners of the Company (RM'000)	<u>33,681</u>	<u>34,676</u>	<u>149,846</u>	<u>55,347</u>
Weighted average number of ordinary shares for basic Earnings Per Ordinary Share ('000)	2,894,590	2,364,265	2,839,117	2,364,265
Effect of potential exercise of Warrants ('000)	<u>#</u>	<u>#</u>	<u>#</u>	<u>#</u>
Weighted average number of ordinary shares ('000)	<u>2,894,590</u>	<u>2,364,265</u>	<u>2,839,117</u>	<u>2,364,265</u>
Diluted Earnings Per Ordinary Share (sen) *	<u>1.16</u>	<u>1.47</u>	<u>5.28</u>	<u>2.34</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 30 April 2017 into realised and unrealised profits pursuant to Bursa Malaysia's directive, is as follows:-

	30/04/2017	31/10/2016
	RM'000	RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	334,084	252,838
- Unrealised	56,582	53,279
	<u>390,666</u>	<u>306,117</u>
Total share of accumulated losses from joint ventures:		
- Realised	(34,034)	(18,920)
- Unrealised	11,813	4,135
	<u>(22,221)</u>	<u>(14,785)</u>
Total share of accumulated losses from an associate:		
- Realised	(431)	-
- Unrealised	-	-
	<u>(431)</u>	<u>-</u>
Consolidation adjustments	27,497	(45,667)
Total Group retained profits as per consolidated accounts	<u>395,511</u>	<u>245,665</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 2016 were unqualified.

13. Provision of Financial Assistance

	6 MONTHS ENDED 30/04/2017 RM'000
i) Advances (net of repayment) provided to:-	
- BBCC Development Sdn Bhd	18,175
- Paragon Pinnacle	26,104
	=====
ii) Guarantee, indemnity, undertaking, provision of collateral for a debt or assumption of financial obligation, in whatsoever manner by the Group to the respective financiers to secure the repayment of up to the entire sum of monies owing due, unpaid or outstanding by Paragon Pinnacle in respect of any financing facility to be taken by Paragon Pinnacle from such financier to fund development costs	277,000
	=====
	As at 30/04/2017 RM'000
iii) Guarantees given by the Group to secure the repayment of all sums of monies due, owing, unpaid or outstanding by Paragon Pinnacle to the EPF	187,709
	=====

There is no material impact on the earnings and net tangible assets of the Group for the 6 months ended 30 April 2017.

14. Notes to the Statement of Comprehensive Income

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

	3 MONTHS ENDED 30/04/2017 RM'000	6 MONTHS ENDED 30/04/2017 RM'000
Interest income	6,489	15,586
Gain arising from dilution of equity interest in Paragon Pinnacle	-	94,788
Other income including investment income	9,427	15,833
Interest expense	(14,571)	(26,089)
Depreciation and amortisation	(5,683)	(11,080)
Provision for write off of receivables	-	-
Provision for and write off of inventories	-	-
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
Foreign exchange gain or (loss)	(57)	(183)
Gain or loss on derivatives	-	-
Exceptional items	-	-
	<hr/>	<hr/>

By order of the Board
Chua Siew Chuan
Company Secretary