

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

Interim Financial Report
31 October 2017

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Interim Financial Report - 31 October 2017

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ECO WORLD DEVELOPMENT GROUP BERHAD
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAD ENDED 31 OCTOBER 2017

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 OCTOBER 2017	31 OCTOBER 2016	31 OCTOBER 2017	31 OCTOBER 2016
	RM'000 UNAUDITED	RM'000 UNAUDITED	RM'000 UNAUDITED	RM'000 AUDITED
Revenue	899,015	740,988	2,924,665	2,546,437
Cost of sales	(709,627)	(559,159)	(2,319,107)	(1,951,293)
Gross profit	189,388	181,829	605,558	595,144
Other items of income	18,176	8,534	146,935	21,804
Selling and marketing expenses	(45,903)	(54,920)	(111,492)	(133,561)
Administrative expenses	(69,898)	(71,352)	(257,095)	(246,518)
Finance costs	(22,360)	(13,628)	(69,791)	(30,958)
Share of results of joint ventures	(11,712)	(7,070)	(30,901)	(12,729)
Share of results of an associated company	(68)	-	(601)	-
Profit before tax	57,623	43,393	282,613	193,182
Income taxation expense	(23,911)	(14,039)	(72,963)	(63,901)
Profit net of tax	33,712	29,354	209,650	129,281
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 subsidiaries and joint ventures	(1,485)	34	(1,327)	(206)
Total comprehensive income for the period/year	32,227	29,388	208,323	129,075
Profit net of tax attributable to:				
Owners of the Company	33,712	29,354	209,650	129,281
Non-controlling interests	-	-	-	-
	33,712	29,354	209,650	129,281
Total comprehensive income attributable to:				
Owners of the Company	32,227	29,388	208,323	129,075
Non-controlling interests	-	-	-	-
	32,227	29,388	208,323	129,075
Earnings per share attributable to owners of the Company:				
Basic earnings per share (sen)	1.14	1.21	7.25	5.43
Diluted earnings per share (sen) *	1.14	1.21	7.25	5.43

* 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 31 OCTOBER 2017

	As At 31 OCTOBER 2017 UNAUDITED RM'000	As At 31 OCTOBER 2016 AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	227,942	212,621
Investment properties	19,149	18,589
Land held for property development	3,900,199	4,160,130
Investment in joint ventures	1,139,208	298,949
Investment in an associate	12,127	-
Amount due from joint ventures	507,520	186,963
Deferred tax assets	78,743	66,033
	<u>5,884,888</u>	<u>4,943,285</u>
Current assets		
Property development costs	2,431,575	2,305,746
Gross amount due from customer	6,882	-
Inventories	24,707	24,884
Trade and other receivables	1,021,386	964,551
Current tax assets	46,999	30,044
Deposits	119,388	234,623
Cash and bank balances	314,436	338,844
	<u>3,965,373</u>	<u>3,898,692</u>
TOTAL ASSETS	<u>9,850,261</u>	<u>8,841,977</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	3,614,865	1,374,846
Share premium	-	1,971,010
Warrants reserve	194,395	194,395
Foreign currency translation reserve	(541)	786
Retained earnings	455,315	245,665
Total equity	<u>4,264,034</u>	<u>3,786,702</u>
Non-current liabilities		
Other payables	92,671	180,646
Long term borrowings	2,202,608	2,044,986
Deferred tax liabilities	48,563	43,728
	<u>2,343,842</u>	<u>2,269,360</u>
Current liabilities		
Gross amount due to customers	-	234
Trade and other payables	1,946,382	1,954,160
Bank overdrafts	26,497	16,585
Short term borrowings	1,250,466	800,332
Current tax liabilities	19,040	14,604
	<u>3,242,385</u>	<u>2,785,915</u>
Total liabilities	<u>5,586,227</u>	<u>5,055,275</u>
TOTAL EQUITY AND LIABILITIES	<u>9,850,261</u>	<u>8,841,977</u>
Net Assets Per Share Attributable to Owners of the Company (RM)		
	<u>1.45</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
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2017

	← Attributable to Equity Holders of the Company →					Total Equity RM'000
	← Non-Distributable →			Foreign currency translation reserve RM'000	Distributable Retained earnings RM'000	
	Share capital RM'000	Share premium RM'000	Warrants reserve RM'000			
At 1 November 2016	1,374,846	1,971,010	194,395	786	245,665	3,786,702
Profit for the year	-	-	-	-	209,650	209,650
Other comprehensive income	-	-	-	(1,327)	-	(1,327)
Issuance of ordinary shares:						
- Placement	231,419	37,600	-	-	-	269,019
Share issue expenses	(10)	-	-	-	-	(10)
Effects from adoption of Companies Act 2016	2,008,610	(2,008,610)	-	-	-	-
At 31 October 2017 (UNAUDITED)	3,614,865	-	194,395	(541)	455,315	4,264,034
At 1 November 2015	1,182,132	1,662,972	194,395	992	116,384	3,156,875
Profit for the year	-	-	-	-	129,281	129,281
Other comprehensive loss	-	-	-	(206)	-	(206)
Issuance of ordinary shares:						
- Placement	192,714	308,341	-	-	-	501,055
Share issue expenses	-	(303)	-	-	-	(303)
At 31 October 2016 (AUDITED)	1,374,846	1,971,010	194,395	786	245,665	3,786,702

(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

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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 OCTOBER 2017**

	12 MONTHS ENDED	
	31 OCTOBER 2017 RM'000 UNAUDITED	31 OCTOBER 2016 RM'000 AUDITED
Operating activities		
Profit before tax	282,613	193,182
Adjustments for :		
Non-cash items	(33,723)	52,627
Non-operating items	35,807	13,243
Operating cash flows before changes in working capital	284,697	259,052
Changes in property development expenditure	40,748	55,479
Changes in gross amount due from customers	(7,116)	1,288
Changes in inventories	177	704
Changes in receivables	(168,137)	(361,574)
Changes in payables	381,618	503,516
Cash flows generated from operations	531,987	458,465
Interest received	5,462	4,410
Interest paid	(132,890)	(110,194)
Net income taxes paid	(94,947)	(112,376)
Net cash flows generated from operating activities	309,612	240,305
Investing activities		
Additions to land held for property development	(678,108)	(1,409,346)
Purchase of property, plant and equipment and investment properties	(52,732)	(47,775)
Proceeds from disposal of property, plant and equipment	917	1,386
Development expenditure paid	(14,973)	(3,936)
Deposits for acquisition of land paid	-	(87,524)
Deposits for acquisition of land refunded	-	159,254
Disposal of a subsidiary company	(11,642)	-
Acquisition of a joint venture	(777,600)	(303,500)
Subscription of additional shares in a joint venture	-	(500)
Acquisition of associate	*	-
Additional investment in associate	(12,728)	-
Advances to joint ventures	(19,543)	(162,834)
Other investments	(18,491)	1,625
Net cash flows used in investing activities	(1,584,900)	(1,853,150)
Financing activities		
Proceeds from issue of shares	269,019	501,055
Payment of share issue expenses	(10)	(303)
Drawdown of bank borrowings	1,414,015	1,951,708
Repayment of bank borrowings	(554,511)	(800,943)
Interest paid	(26,683)	-
Net cash flows generated from financing activities	1,101,830	1,651,517
Net (decrease)/increase in cash and cash equivalents	(173,458)	38,672
Effect of exchange rate changes	(463)	(60)
Cash and cash equivalents at 1 November 2016 / 2015	482,081	443,469
Cash and cash equivalents at 31 October 2017 / 2016	308,160	482,081
Cash and cash equivalents comprise the following:		
Deposits	119,388	234,623
Cash and bank balances	314,436	338,844
Bank overdrafts	(26,497)	(16,585)
	407,327	556,882
Less: Deposit pledged, Sinking Fund, Debt Service Reserve and Escrow Accounts	(99,167)	(74,801)
	308,160	482,081

* 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 31 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’ report and the auditors’ report 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 financial year ended 31 October 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 financial year ended 31 October 2017.

4. Changes in Estimates

There were no material changes in estimates for the financial year ended 31 October 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 financial year ended 31 October 2017 except for the following:

- (a) Issuance of new ordinary shares pursuant to a previously announced Placement at the following issue prices:

Date of listing on Main Market of Bursa Malaysia		25 November 2016	6 March 2017	6 March 2017
Issue price	(RM)	1.30	1.30	1.49
No. of shares issued		47,000,000	63,783,876	83,892,700

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

- (b) Issuance of the unrated medium term notes with a nominal value of RM250 million by Eco World Capital Assets Berhad (formerly known as Inspirasi Innovasi Sdn Bhd), a wholly owned subsidiary of the Company on 14 August 2017.

6. Dividends Paid

There was no payment of dividend during the financial year ended 31 October 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 31 October 2017 till 8 December 2017 (the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report).

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 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.

During the financial year, the Company subscribed for an additional 359,988 ordinary shares at a price of RM1.00 each and 12,368,160 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, Tanjung Wibawa Sdn Bhd (“Tanjung Wibawa”), a wholly-owned subsidiary of 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;

- (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 (“EcoWorld International”) pursuant to EcoWorld International’s Initial Public Offering (“Subscription”).

As a result, EcoWorld International became a 27%-owned joint venture of the Group; and

- (iv) On 23 January 2017, Eco Horizon Sdn. Bhd. (“Eco Horizon”), 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, Tanjung Wibawa subscribed for 4,000,000 new ordinary shares in Eco Horizon on 6 September 2017.

This resulted in Eco Horizon ceasing to be a subsidiary and becoming a 60%-owned joint venture of the Company.

10. Contingent Liabilities

As at 31 October 2017, a guarantee of RM8,616,000 was given to a bank to secure performance bonds granted to a joint venture.

11. Commitments

	As at 31/10/2017 RM'000
Approved and contracted for:-	
Commitment to subscribe for ordinary shares in MFBBCC Retail Mall	240
Commitment to subscribe for redeemable preference shares in MFBBCC Retail Mall	71,632
Commitment to purchase 70% equity interest in Zaman Azali Security Services Sdn Bhd	370
Commitment to acquire plant and equipment	40,213
Commitment to fund development costs of joint ventures companies	<u>152,375</u>

12. Significant Related Party Transactions

	12 MONTHS ENDED 31/10/2017 RM'000
(i) Transactions with shareholders/directors of the Company and subsidiary companies, and companies in which they have interests	
- Sales of development properties to a director of subsidiary company	3,138
- 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	249
- 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	250,043
- Interest received and receivable	36,312
- Sales of building materials	1,110
- Development management fees received and receivable	13,451
- Brand licensing fees received and receivable	779
- Advisory fees received and receivable	112
- Support service fees received and receivable	81
- Commission charged	176
- Staff secondment fees received and receivable	13,440
- Disposal of motor vehicles and office equipment	<u>278</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

	3 MONTHS ENDED			12 MONTHS ENDED		
	31/10/2017 RM'000	31/10/2016 RM'000	Changes RM'000	31/10/2017 RM'000	31/10/2016 RM'000	Changes RM'000
Revenue	899,015	740,988	158,027	2,924,665	2,546,437	378,228
Gross profit	189,388	181,829	7,559	605,558	595,144	10,414
Share of results – joint venture						
- Malaysia	(2,921)	(7,070)	4,149	(18,010)	(12,729)	(5,281)
- International	(8,791)	-	(8,791)	(12,891)	-	(12,891)
Profit before interest and tax	79,983	57,021	22,962	352,404	224,140	128,264
Profit before tax	57,623	43,393	14,230	282,613	193,182	89,431
Profit net of tax	33,712	29,354	4,358	209,650	129,281	80,369
Profit attributable to owners of the Company	33,712	29,354	4,358	209,650	129,281	80,369

(a) 4Q 2017 vs 4Q 2016

The projects which contributed to revenue and gross profit in 4Q 2017 include *Eco Majestic*, *Eco Sanctuary* and *Eco Sky* in the Klang Valley, *Eco Botanic*, *Eco Spring*, *Eco Summer*, *Eco Business Park I*, *Eco Tropics* and *Eco Business Park III* in Iskandar Malaysia as well as *Eco Meadows* and *Eco Terraces* in Penang. These projects were also the main contributors in 4Q 2016.

The higher revenue in 4Q 2017 compared to 4Q 2016 is due to a higher percentage and relatively more advanced stage of completion achieved by the above projects in the current as compared to preceding year quarter.

The Group's profit before taxation ("PBT") of RM57.6 million for 4Q 2017 is higher than the RM43.4 million reported for 4Q 2016. This was mainly contributed by the higher revenue mentioned above and lower selling and marketing expenses.

1. Review of Group Performance (continued)

(b) 4Q YTD 2017 vs 4Q YTD 2016

The higher revenue in 4Q YTD 2017 compared to 4Q YTD 2016 is also due to a higher percentage of completion achieved by the projects contributing to revenue and profits compounded by a higher number of sold units having attained the criteria for profit recognition.

The gross profit margin is however lower due to the commencement of income recognition from lower margin products (*Rumah Mampu Milik* and *Rumah Selangorku*) launched last year in compliance with the government's regulations on affordable housing.

PBT for 4Q YTD 2017 stands at RM282.6 million, substantially higher than the RM193.2 million recorded in 4Q YTD 2016 largely due to the inclusion of a gain on dilution of equity interest in Paragon Pinnacle which arose in 1Q 2017 - please refer to the 1Q 2017 results announcement for details.

Excluding the above mentioned gain, the PBT for 4Q YTD 2017 would have been RM186.0 million, which is RM7.2 million lower than the RM193.2 million reported in 4Q YTD 2016. The lower PBT was mainly due to the higher losses incurred by joint venture companies, (namely *EcoWorld International*, *Eco Grandeur*, *Eco Ardence* and *Eco Horizon*) which are pending commencement of property development profit recognition and additional finance costs incurred to fund the Group's acquisition of shares in *EcoWorld International* and *Eco Ardence*.

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

	3 MONTHS ENDED		Changes RM'000
	31/10/2017 RM'000	31/07/2017 RM'000	
Revenue	899,015	762,918	136,097
Gross profit	189,388	158,677	30,711
Share of results – joint venture			
- Malaysia	(2,921)	(5,220)	2,299
- International	(8,791)	(6,533)	(2,258)
Profit before interest and tax	79,983	64,743	15,240
Profit before tax	57,623	43,401	14,222
Profit net of tax	33,712	26,092	7,620
Profit attributable to owners of the Company	33,712	26,092	7,620

The 4Q 2017 revenue of RM899.0 million and gross profit of RM189.4 million are respectively RM136.1 million and RM30.7 million higher than in 3Q 2017 due to higher percentage of completion during the quarter. The Group also recorded an increase in PBT over 3Q 2017 but at a lower pace compared to the increase in gross profit. This is partly attributable to higher selling and marketing and administrative expenses incurred in relation to the concurrent launch of 5 projects in September 2017 under the *EcoWorld Design-Nature-Art* ("*EcoWorld DNA*") campaign (see below for details).

3. Prospects for the Next Financial Year

Location of projects	No of launched projects	12 months ended 31.10.2017			Cumulative sales RM'mil	As at
		Units launched	Units sold ¹	Sales value ² RM'mil		31.10.2017 Unbilled sales ³ RM'mil
Klang Valley	8	2,432	2,695	2,990	8,393	3,352
Iskandar Malaysia	7	685	823	654	4,902	1,078
Penang	3	488	441	362	734	395
Malaysia	18	3,605	3,959	4,006	14,029	4,825
United Kingdom	3	-	302	1,687	6,582	1,294
Australia	2	256	112	315	1,130	285
Overseas	5	256	414	2,002	7,712	1,579
Total	23	3,861	4,373	6,008	21,741	6,404

¹ Includes sales of units from prior year launches

² Includes sales of joint ventures

³ Includes Group's share of unbilled sales of joint ventures

The Board is pleased to announce that the Group succeeded in achieving its sales target of RM4 billion from its Malaysian projects in FY2017. Together with the RM2 billion sales recorded by EcoWorld International, sales achieved in FY2017 by its subsidiaries and joint-ventures totalled RM6 billion.

This represents the third consecutive year EcoWorld Brand sales have exceeded the RM6 billion mark, which is testament both to the strength of the brand as well as the consistency of the development teams' marketing and execution prowess.

In Malaysia, the Group achieved RM1.83 billion sales in its final quarter which is around 46% of its full year target. The strong result is largely attributable to the resounding success of the *EcoWorld DNA* campaign, inspired by the Group's resolve to take its pledge of weaving and embedding the best elements of Design, Nature & Art into every development and bringing it to another level.

This year's campaign involved the concurrent launch of 5 projects. Three of the projects are maiden launches – namely *Eco Horizon* in Penang; *Eco Forest* in Southern Klang Valley and *Eco Business Park V* in Northern Klang Valley, while the other two are new phases within the Group's existing townships namely *Dremien@Eco Ardence* in Shah Alam and *Whitten@Eco Majestic City* in Semenyih.

- *Eco Horizon* is situated in a prime spot on the Penang mainland opposite the new IKEA store in Batu Kawan. Included in the 1st phase launch are the garden homes first introduced by EcoWorld in the Klang Valley featuring wide-frontage terraces with a semi-D feel. The *EcoWorld DNA* theme is further expressed by a pair of Flamingo-shaped lakes, forming a unique attraction to greet residents and visitors after the grand entranceway. The lakes will take up a total of 13.6 acres, making it one of the largest water bodies offered in a Penang development.
- *Eco Business Park V (EBP V)* marks the entry into the Klang Valley of EcoWorld's successful gated & guarded business park series. It is located next to the Group's *Eco Grandeur* township with excellent connectivity afforded by the LATAR Expressway and the upcoming West-Coast Expressway. Individual units offer an innovative flexi-space concept that makes the spacious interior easily customisable. In addition, customers get to enjoy the EcoWorld one-stop industrial solution – which is a range of professional services specially created for customers of the Group's business parks – to ensure a hassle-free experience when setting up operations.
- *Eco Forest*, the Group's second project in the Semenyih corridor exemplifies EcoWorld's commitment to holistically meld elements of art and design into the built environment. This project also features the Group's popular garden homes series but with an artistic twist as reflected in the A-frame design of the homes. In keeping with EcoWorld's commitment to green spaces, 25 acres of the development is dedicated for the Forest Lake Park – a public space strategically located at the heart the development to make it easily accessible from all directions.

3. Prospects for the Next Financial Year (continued)

- **Whitten@Eco Majestic City** consists of 2-storey shop offices with an elegant Georgian-inspired façade. It is located within Eco Majestic City, the commercial hub of the 1,089-acre **Eco Majestic** just next to the Eco Majestic Interchange. The carefully conceived design of each unit allows the ground floor to accommodate a mezzanine level whilst floor plans are easily customisable.
- **Dremien@Eco Ardence** is the second phase of luxurious landed homes within the Group's **Eco Ardence** township. Each precinct in Eco Ardence will have individual guardhouse and clubhouse facilities with homes incorporating modern tropical design elements. Lifestyle amenities include the innovative **Ardence Labs** which utilises refurbished containers to offer customised solutions for growing retail and F&B brands and co-working spaces for start-ups. This is the first of the **EcoWorld Labs** series launched to accelerate the activation of commercial centres and provide the Group with a unique positioning to brand each development thus enhancing the value of its commercial components.

Collectively the above 5 projects involved in the **EcoWorld DNA** campaign contributed approximately RM1 billion sales to the Group in the final quarter of FY2017. The Group's other ongoing projects also performed well with approximately RM800 million sales achieved in Q4 FY2017 led by **BBCC**, **Eco Grandeur** and **Eco Sanctuary** in the Klang Valley as well as **Eco Summer** and **Eco Spring** in Iskandar Malaysia.

Outside Malaysia, EcoWorld International performed commendably with RM2 billion sales secured in FY2017. Sales in the UK remain steady with continuing interest in all three ongoing projects despite Brexit uncertainties. This demonstrates the underlying strength of the London residential market. Whilst sales were slower in Australia, management is confident this will pick-up as construction progress. This is due to the location of the new Yarra One project in South Yarra, one of Melbourne's most popular suburbs and takes into account the preference of locals, who are the target customers for this project, to buy closer to completion. For more details refer to EcoWorld International's announcement of its FY2017 results.

As at 31 October 2017, the Group's land bank is as follows:-

Location of projects	No of projects	Land bank (acres) *	
		Original land size	Undeveloped
Klang Valley	8	4,735.3	3,154.8
Iskandar Malaysia	7	2,926.1	1,608.7
Penang	5	465.0	332.4
Malaysia	20	8,126.4	5,095.9
United Kingdom **	3	13.0	-
Australia **	2	1.7	-
Overseas	5	14.7	-
Total	25	8,141.1	5,095.9

* Includes land bank of joint ventures (including acquisitions pending completion)

** Number of projects potentially increases to 15 in the United Kingdom and 3 in Australia subject to completion of transactions recently announced by EcoWorld International

The Group's sizeable and increasingly matured land bank in Malaysia is expected to contribute positively to its future prospects. By FY2018, 10 projects would have transitioned from the investment into the growth phase of the project life cycle with the bulk of primary infrastructure works completed and the first phase of properties sold handed over. This will enable the Group to put in place new initiatives to further unlock the value of its landbank as the number of physical communities working and living within its developments grow.

3. Prospects for the Next Financial Year (continued)

In the United Kingdom, EcoWorld International will announce its joint-venture with Be Living (the development arm of Willmott Dixon, a prominent UK company) today which contemplates the acquisition and joint-development of 12 sites with an estimated GDV of GBP2.6 billion in Greater London and the South East of England.

Apart from potentially expanding its presence in the UK to four times its current size, this joint-venture is very significant as it will enable EcoWorld International to gain its own development management team along with a substantial local market share in the UK. This is due to the nature, location and affordable price points of the developments proposed that will enable the Group to address the strong demand in the London mainstream market. Please refer to the separate announcement by EcoWorld International on the transaction for further details.

On the earnings front, the Group's core development earnings are expected to grow in FY2018 once projects undertaken by its joint-ventures in Malaysia and abroad reach a higher stage of completion / attain the criteria for profit recognition. The Group has also set a sales target for RM3.5 billion to be achieved by its Malaysian projects. This takes into account the fact that the Group will not be launching any sizeable new projects next year. Instead the Group will concentrate on further enhancing the value of its existing landbank with the aim of delivering sustainable long-term growth for all stakeholders.

Outside Malaysia, EcoWorld International has announced a sales target of RM2 billion (excluding sales from its new joint-venture with Be Living). Along with the high level of unbilled sales attributable to the Group as at 31 October 2017 of RM6.4 billion, this should set the Group on a steady growth path and by FY2019 the Group is targeting to be in a position to commence payment of dividends to its shareholders.

4. Variance of Actual Profit from Forecast Profit

There were no profit forecast published as at 31 October 2017.

5. Income Tax

Income Tax comprises:-

	3 MONTHS ENDED		12 MONTHS ENDED	
	31/10/2017	31/10/2016	31/10/2017	31/10/2016
	RM'000	RM'000	RM'000	RM'000
Current tax				
- for current quarter / year	30,945	27,169	109,302	96,125
- in respect of prior years	1,000	1,308	(26,874)	3,458
Deferred tax				
- for current quarter / year	(8,019)	(13,952)	(34,879)	(31,378)
- in respect of prior years	(15)	(486)	25,414	(4,304)
	<u>23,911</u>	<u>14,039</u>	<u>72,963</u>	<u>63,901</u>

The Group's effective tax rate for 4Q 2017 is higher than the statutory tax rate mainly due to certain non-tax deductible expenses and reversal of the deferred tax asset of certain subsidiaries. The higher statutory tax rate was however slightly mitigated by the tax incentives provided under the Income Tax (Exemption) (No. 2) Order 2017.

The Group's effective tax rate for 4Q YTD 2017 is approximately equivalent to the statutory tax rate mainly due to the non-taxable nature of the gain arising from the dilution of the Group's interest in Paragon Pinnacle.

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

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, including 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	2 November 2016
4A	10 February 2017
3A & 3B	16 February 2017
1B & 4B	3 October 2017
5	Still conditional

As announced on 31 March 2017, the period to fulfil the remaining conditions precedent under SPA 5 has been extended to expire on 31 December 2017.

- (b) The following corporate proposal previously announced by the Company has been completed since the last interim financial report.

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:

- (i) 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

6. Status of Corporate Proposals (continued)

- (ii) 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”.

The Company’s shareholders approved the Proposed Acquisitions on 20 February 2017.

The Parcel A SPA and Parcel B SPA became unconditional on 14 August 2017 and was completed on 14 September 2017.

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 31 October 2017 and 31 October 2016 were as follows:-

	As at 31 October 2017		
	Long term RM’000	Short term RM’000	Total borrowings RM’000
Secured			
Revolving credits	15,000	398,819	413,819
Term loans	1,635,158	116,962	1,752,120
Bridging loans	201,356	132,185	333,541
	<u>1,851,514</u>	<u>647,966</u>	<u>2,499,480</u>
Unsecured			
Revolving credits	-	602,500	602,500
Term loans	101,625	-	101,625
Medium term notes	249,469	-	249,469
Overdraft	-	26,497	26,497
	<u>351,094</u>	<u>628,997</u>	<u>980,091</u>
	<u>2,202,608</u>	<u>1,276,963</u>	<u>3,479,571</u>
	As at 31 October 2016		
	Long term RM’000	Short term RM’000	Total borrowings RM’000
Secured			
Revolving credits	-	191,918	191,918
Term loans	1,566,023	55,080	1,621,103
Bridging loans	377,338	53,334	430,672
	<u>1,943,361</u>	<u>300,332</u>	<u>2,243,693</u>
Unsecured			
Revolving credits	-	500,000	500,000
Term loans	101,625	-	101,625
Overdraft	-	16,585	16,585
	<u>101,625</u>	<u>516,585</u>	<u>618,210</u>
	<u>2,044,986</u>	<u>816,917</u>	<u>2,861,903</u>

7. Group Borrowings and Debt Securities (continued)

The weighted average interest rate at the end of the reporting period are as follows:

	As at 31 October 2017	As at 31 October 2016
	%	%
Floating interest rate	5.28	5.15
Fixed interest rate	6.15	5.29

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

The increase in borrowings is mainly to finance project expenditure and for working capital purposes.

8. Material Litigation

The Group was not engaged in any material litigation as at 8 December 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 financial year ended 31 October 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		12 MONTHS ENDED	
	31/10/2017	31/10/2016	31/10/2017	31/10/2016
Profit for the period attributable to owners of the Company (RM'000)	<u>33,712</u>	<u>29,354</u>	<u>209,650</u>	<u>129,281</u>
Number of ordinary shares at beginning of the period ('000)	2,944,368	2,364,265	2,749,692	2,364,265
Effect of shares issued pursuant to the Placement ('000)	<u>-</u>	<u>58,652</u>	<u>142,483</u>	<u>14,743</u>
Weighted average number of ordinary shares ('000)	<u>2,944,368</u>	<u>2,422,917</u>	<u>2,892,175</u>	<u>2,379,008</u>
Basic Earnings Per Ordinary Share (sen)	<u>1.14</u>	<u>1.21</u>	<u>7.25</u>	<u>5.43</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.

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

	3 MONTHS ENDED		12 MONTHS ENDED	
	31/10/2017	31/10/2016	31/10/2017	31/10/2016
Profit for the period attributable to owners of the Company (RM'000)	33,712	29,354	209,650	129,281
Weighted average number of ordinary shares for basic Earnings Per Ordinary Share ('000)	2,944,368	2,422,917	2,892,175	2,379,008
Effect of potential exercise of Warrants ('000)	#	#	#	#
Weighted average number of ordinary shares ('000)	2,944,368	2,422,917	2,892,175	2,379,008
Diluted Earnings Per Ordinary Share (sen) *	1.14	1.21	7.25	5.43

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 2017 into realised and unrealised profits pursuant to Bursa Malaysia's directive, is as follows:-

	31/10/2017 RM'000	31/10/2016 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	442,781	252,838
- Unrealised	51,369	53,279
	<u>494,150</u>	<u>306,117</u>
Total share of accumulated losses from joint ventures:		
- Realised	(56,455)	(18,920)
- Unrealised	10,769	4,135
	<u>(45,686)</u>	<u>(14,785)</u>
Total share of accumulated losses from an associate:		
- Realised	(601)	-
- Unrealised	-	-
	<u>(601)</u>	<u>-</u>
Consolidation adjustments	7,452	(45,667)
Total Group retained profits as per consolidated accounts	<u>455,315</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

	12 MONTHS ENDED 31/10/2017 RM'000
i) Advances (net of repayments) provided to:-	
- BBCC Development Sdn Bhd	23,642
- Paragon Pinnacle	(44,569)
- Eco Horizon	31,970
	=====
ii) Guarantee, indemnity, undertaking, provision of collateral for a debt or assumption of financial obligation, in whatsoever manner by the Group to the respective financier 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 land and development costs	333,000
- Eco Horizon in respect of any financing facility to be taken by Eco Horizon from such financier to fund land cost	613,000
	=====
	As at 31/10/2017 RM'000
iii) Guarantees given by the Group to secure the repayment by the following joint venture companies of all sums of monies due, owing, unpaid or outstanding to Tanjung Wibawa:	
- Paragon Pinnacle	272,763
- Eco Horizon	242,893
	=====

There is no material impact on the earnings and net tangible assets of the Group for the financial year ended 31 October 2017.

14. Notes to the Statement of Comprehensive Income

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

	3 MONTHS ENDED 31/10/2017 RM'000	12 MONTHS ENDED 31/10/2017 RM'000
Interest income	10,199	31,104
Gain arising from dilution of equity interest in subsidiaries	1,812	96,600
Other income including investment income	6,007	19,046
Interest expense	(22,360)	(69,791)
Depreciation and amortisation	(7,753)	(25,141)
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)	141	(30)
Gain or loss on derivatives	-	-
Exceptional items	-	-
	<u> </u>	<u> </u>

By order of the Board
Chua Siew Chuan
Company Secretary
15 December 2017