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

Interim Financial Report
31 January 2019

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Interim Financial Report - 31 January 2019

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31 JANUARY 2019

(The figures have not been audited)

	3 MONTHS ENDED	
	31 JANUARY 2019 RM'000	31 JANUARY 2018 RM'000 RESTATED
Revenue	491,230	519,215
Cost of sales	(399,674)	(414,334)
Gross profit	91,556	104,881
Other income	12,519	9,371
Selling and marketing expenses	(8,250)	(9,786)
Administrative expenses	(54,580)	(56,815)
Finance costs	(25,369)	(22,749)
Share of results in an associate, net of tax	344	(162)
Share of results in joint ventures, net of tax	24,021	(2,998)
Profit before tax	40,241	21,742
Income tax expense	(9,924)	(11,974)
Profit net of tax	30,317	9,768
Other comprehensive income, net of tax		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	1	1,600
Share of other comprehensive income/(loss) of joint venture	3,175	(10,440)
Total comprehensive income for the period	33,493	928
Profit net of tax attributable to:		
Owners of the Company	30,317	9,768
Non-controlling interests	-	-
	30,317	9,768
Total comprehensive income attributable to:		
Owners of the Company	33,493	928
Non-controlling interests	-	-
	33,493	928
Earnings per share attributable to owners of the Company:		
Basic earnings per share (sen)	1.03	0.33
Diluted earnings per share (sen) *	1.03	0.33

** Anti-dilutive*

(The Condensed Consolidated Income Statements should be read in conjunction with the audited financial statements for the year ended 31 October 2018 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 JANUARY 2019
(The figures have not been audited)

	As At 31 JANUARY 2019 RM'000	As At 31 OCTOBER 2018 RM'000 RESTATED	As At 1 NOVEMBER 2017 RM'000 RESTATED
ASSETS			
Non-current assets			
Property, plant & equipment	246,678	250,112	227,942
Investment properties	19,440	19,440	19,149
Inventories - land held for property development	3,974,184	3,885,580	3,909,811
Investment in an associate	57,362	57,018	12,127
Investment in joint ventures	1,115,469	1,097,977	1,152,471
Trade receivables	41,831	24,552	-
Amount due from joint ventures	684,301	651,223	507,520
Deferred tax assets	114,046	107,347	81,894
	6,253,311	6,093,249	5,910,914
Current assets			
Inventories - property under development	2,759,694	2,863,253	2,606,373
Inventories - completed properties	224,776	169,051	24,707
Trade and other receivables	805,738	889,343	813,186
Contract assets	87,530	96,672	160,468
Current tax assets	59,961	49,037	46,999
Deposits	171,679	87,224	119,388
Cash and bank balances	339,626	423,073	314,436
	4,449,004	4,577,653	4,085,557
TOTAL ASSETS	10,702,315	10,670,902	9,996,471
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Share capital	3,614,865	3,614,865	3,614,865
Warrants reserve	194,395	194,395	194,395
Foreign currency translation reserve	(19,773)	(23,335)	(801)
Cash flow hedge reserve	(386)	-	-
Retained earnings	571,977	541,660	448,169
Total equity	4,361,078	4,327,585	4,256,628
Non-current liabilities			
Long term borrowings	1,938,100	1,925,831	2,202,608
Finance lease obligations	287	307	-
Other payables	-	-	92,671
Deferred tax liabilities	26,303	22,908	44,846
	1,964,690	1,949,046	2,340,125
Current liabilities			
Trade and other payables	1,198,409	1,365,594	1,493,977
Contract liabilities	1,127,953	1,114,118	609,738
Bank overdrafts	27,258	19,208	26,497
Short term borrowings	2,010,334	1,886,180	1,250,466
Finance lease obligations	78	76	-
Current tax liabilities	12,515	9,095	19,040
	4,376,547	4,394,271	3,399,718
Total liabilities	6,341,237	6,343,317	5,739,843
TOTAL EQUITY AND LIABILITIES	10,702,315	10,670,902	9,996,471
Net Assets Per Share Attributable to Owners of the Company (RM)	1.48	1.47	1.45

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 October 2018 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 31 JANUARY 2019
(The figures have not been audited)

	Share capital RM'000	Warrants reserve RM'000	Foreign currency translation reserve RM'000	Cash flow hedge reserve RM'000	Retained earnings RM'000	Total Equity RM'000
At 1 November 2018	3,614,865	194,395	(22,216)	-	620,907	4,407,951
Effects of adoption of the MFRS Framework	-	-	(1,119)	-	(79,247)	(80,366)
At 1 November 2018 (restated)	3,614,865	194,395	(23,335)	-	541,660	4,327,585
Profit for the period	-	-	-	-	30,317	30,317
Other comprehensive income	-	-	3,562	(386)	-	3,176
At 31 January 2019	3,614,865	194,395	(19,773)	(386)	571,977	4,361,078
At 1 November 2017	3,614,865	194,395	(541)	-	455,315	4,264,034
Effects of adoption of the MFRS Framework	-	-	(260)	-	(7,146)	(7,406)
At 1 November 2017 (restated)	3,614,865	194,395	(801)	-	448,169	4,256,628
Profit for the period	-	-	-	-	9,768	9,768
Other comprehensive loss	-	-	(8,840)	-	-	(8,840)
At 31 January 2018 (restated)	3,614,865	194,395	(9,641)	-	457,937	4,257,556

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the audited financial statements for the year ended 31 October 2018 and the accompanying explanatory notes.)

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
AS AT 31 JANUARY 2019
(The figures have not been audited)

	3 MONTHS ENDED	
	31 JANUARY 2019 RM'000	31 JANUARY 2018 RM'000 RESTATED
Operating activities		
Profit before tax	40,241	21,742
Adjustments for :		
Non-cash items	(17,293)	11,798
Non-operating items	14,230	14,492
Operating cash flows before changes in working capital	37,178	48,032
Changes in inventories - property under development	16,660	(75,857)
Changes in inventories- completed properties	4,979	(76)
Changes in contract assets/contract liabilities	22,977	205,604
Changes in receivables	72,574	2,942
Changes in payables	(76,339)	(71,402)
Cash flows generated from operations	78,029	109,243
Interest received	3,451	1,635
Interest paid	(40,249)	(36,152)
Net income taxes paid	(20,996)	(18,470)
Net cash flows generated from operating activities	20,235	56,256
Investing activities		
Additions to inventories - land held for property development	(130,978)	(149,135)
Purchase of property, plant and equipment and investment properties	(2,781)	(8,443)
Proceeds from disposal of property, plant and equipment	3	63
Development expenditure paid	-	(87)
Additional investment in associate	-	(3,242)
Advances to joint ventures	(21,000)	(10,000)
Other investments	16,133	(5,780)
Net cash flows used in investing activities	(138,623)	(176,624)
Financing activities		
Drawdown of bank borrowings	265,930	273,975
Repayment of bank borrowings and finance lease obligations	(130,597)	(93,990)
Interest paid	(8,742)	(9,358)
Net cash flows generated from financing activities	126,591	170,627
Net decrease in cash and cash equivalents	8,203	50,259
Effect of exchange rate changes	1	(56)
Cash and cash equivalents at 1 November 2018 / 2017	372,675	308,160
Cash and cash equivalents at 31 January 2019 / 2018	380,879	358,363
Cash and cash equivalents comprise the following:		
Deposits	171,679	75,909
Cash and bank balances	339,626	415,059
Bank overdrafts	(27,258)	(27,032)
	484,047	463,936
Less: Deposit pledged, Debt Service Reserve, Redemption Accounts and Escrow Accounts	(103,168)	(105,573)
	380,879	358,363

(The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 October 2018 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 Malaysian Financial Reporting Standard ("MFRS") 134, Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB"), International Accounting Standard ("IAS") 34: Interim Financial Reporting issued by the International Accounting Standards Board ("IASB") 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 Company's audited financial statements for the financial year ended 31 October 2018, which were prepared in accordance with Financial Reporting Standards ("FRSs").

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

The interim financial report for the financial quarter ended 31 January 2019 is the Group's first set of interim financial report prepared in accordance with MFRSs, including *MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards*. For periods up to 31 October 2018, the Group prepared its interim financial reports in accordance with FRSs in Malaysia.

The accounting policies and methods of computation applied and adopted by the Group in the preparation of this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 October 2018 except as disclosed below.

In adopting the MFRS framework, the Group has applied the following MFRS and amendments/improvements to MFRSs which are relevant and effective for annual periods beginning on or after 1 January 2018:

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers
Amendments/Improvements to MFRS 1	First-time adoption of MFRSs
Amendments/Improvements to MFRS 128	Investments in Associates and Joint Ventures
Amendments/Improvements to MFRS 140	Investment Property

The adoption of the MFRSs framework did not have any material financial impact to the Group's financial position, financial performance and cash flows except as disclosed on pages 8, 9 and 10 below. A brief discussion of the significant standards under the MFRSs framework is summarised below.

<u>MFRS 3 – Business Combinations</u>

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition. This provides relief from full retrospective application of MFRS 3 which would require restatement of all business combinations prior to the date of transition.

The Group has opted to apply MFRS 3 prospectively. In addition, the Group has also applied the exemption for MFRS 10 "Consolidated Financial Statements" and acquisitions of associate and its interest in joint ventures.

1. **Basis of preparation (continued)**

MFRS 9 – Financial Instruments

MFRS 9 replaces MFRS 139, *Financial Instruments: Recognition and Measurement* and introduces new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and on hedge accounting.

MFRS 9 introduces an approach for the classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which the asset is held. The Group has classified its financial assets as financial assets measured at amortised cost.

MFRS 9 introduces a new expected credit loss ("ECL") model for impairment that replaces the incurred loss impairment model used in FRS 139. The ECL model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised. Based on an assessment, the Group has not identified any significant impact arising from adopting this model.

The Group has applied MFRS 9 from 1 November 2018, and has avail itself of the exemptions permitted under MFRS 1. Accordingly the comparative figures have not been restated.

MFRS 15 – Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Upon the adoption of MFRS 15, the Group conducted an assessment of its existing contracts with customers and identified, among others, the following changes to its existing accounting principles:

(a) Timing of recognition for the sales of properties

The Group recognises revenue from property development over time if the Group's performance does not create an asset with an alternative use to the Group and if it has an enforceable right to payment for performance completed to date and it is probable that the Group will collect such payment. The measure of the progress towards complete satisfaction of the performance obligation is based on the Group's efforts or inputs to the satisfaction of the performance obligation (i.e. by reference to the development costs incurred to date to the estimated total development costs).

(b) Determining the transaction price

In determining the transaction price, the Group assesses the estimated transaction price after considering the effects of variable consideration, constraining estimates of variable consideration, the existence of a significant financing component in the contract and consideration payable to customer.

1. **Basis of preparation (continued)**

(c) Accounting for incremental costs of obtaining a contract

The Group's previous accounting policy under the FRSs framework was to expense off incremental costs in obtaining a customer contract. Upon adoption of MFRS 15, these costs qualify to be recognised as an asset which is amortised progressively over the period during which the property sold is transferred to the customer as long as the Group expects to recover these costs.

(d) Other adjustments

The above changes has resulted in adjustments to other items such as deferred taxes, investment in joint ventures, inventories, foreign currency translation reserve and retained earnings.

(e) Presentation of contract assets and contract liabilities

The Group has changed the presentation of certain amounts in the condensed consolidated statement of financial position to reflect the terminology used in MFRS 15:

(i) Accrued billings arising from property development contracts previously presented under trade and other receivables, and arising from construction contracts previously presented as gross amount due from customers are now presented as Contract Assets.

(ii) Progress billings arising from property development contracts previously presented under trade and other payables are now presented as Contract Liabilities.

The Group had applied MFRS 15 in accordance with the full retrospective transitional provisions with elected practical expedients according to paragraph C5 of MFRS 15.

Reclassification of comparative figures

In 1Q2018, certain fees charged by the Group to its joint ventures were included in other operating income. Related expenses were included in administrative expenses. However, in 4Q2018, the nature of such income were reassessed and reclassified as revenue. The related expenses were also reclassified as cost of sales.

Accordingly, the 1Q2018 comparative figures have been reclassified to conform with the above mentioned presentation. The reclassification has had no effect on the profit for the current and previous financial quarter. There has also been no effect on retained earnings.

1. **Basis of preparation (continued)**

The effects of the transition to the MFRS Framework on the consolidated statement of financial position are as follows:

	As previously reported (Under FRSs) RM'000	Effect of MFRS adjustments RM'000	As restated (Under MFRSs) RM'000
Consolidated Statement of Financial Position At 31 October 2018			
ASSETS			
Non-Current Assets			
Property, plant & equipment	250,112	-	250,112
Investment properties	19,440	-	19,440
Inventories - land held for property development	3,877,520	8,060	3,885,580
Investment in an associate	57,018	-	57,018
Investment in joint ventures	1,112,584	(14,607)	1,097,977
Trade receivables	24,552	-	24,552
Amount due from joint ventures	651,223	-	651,223
Deferred tax assets	96,676	10,671	107,347
	6,089,125	4,124	6,093,249
Current Assets			
Inventories - properties under development	2,567,368	295,885	2,863,253
Inventories - completed properties	140,489	28,562	169,051
Trade and other receivables	1,063,258	(173,915)	889,343
Contract assets	-	96,672	96,672
Gross amount due from customers	6,882	(6,882)	-
Current tax assets	49,037	-	49,037
Deposits	87,224	-	87,224
Cash and bank balances	423,073	-	423,073
	4,337,331	240,322	4,577,653
TOTAL ASSETS	10,426,456	244,446	10,670,902
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	3,614,865	-	3,614,865
Warrant Reserve	194,395	-	194,395
Foreign currency translation reserve	(22,216)	(1,119)	(23,335)
Retained Earnings	620,907	(79,247)	541,660
Total Equity	4,407,951	(80,366)	4,327,585
Non-Current Liabilities			
Long term borrowings	1,925,831	-	1,925,831
Finance lease obligations	307	-	307
Deferred tax liabilities	32,435	(9,527)	22,908
	1,958,573	(9,527)	1,949,046
Current Liabilities			
Trade and other payables	2,145,373	(779,779)	1,365,594
Contract liabilities	-	1,114,118	1,114,118
Bank overdrafts	19,208	-	19,208
Short term borrowings	1,886,180	-	1,886,180
Finance lease obligations	76	-	76
Current tax liabilities	9,095	-	9,095
	4,059,932	334,339	4,394,271
Total Liabilities	6,018,505	324,812	6,343,317
TOTAL EQUITY AND LIABILITIES	10,426,456	244,446	10,670,902

1. **Basis of preparation (continued)**

The effects of the transition to the MFRS Framework on the consolidated statement of financial position are as follows: (continued)

	As previously reported (Under FRSs) RM'000	Effect of MFRS adjustments RM'000	As restated (Under MFRSs) RM'000
Consolidated Statement of Financial Position At 1 November 2017			
ASSETS			
Non-Current Assets			
Property, plant & equipment	227,942	-	227,942
Investment properties	19,149	-	19,149
Inventories - land held for property development	3,900,199	9,612	3,909,811
Investment in an associate	12,127	-	12,127
Investment in joint ventures	1,139,208	13,263	1,152,471
Amount due from joint ventures	507,520	-	507,520
Deferred tax assets	78,743	3,151	81,894
	5,884,888	26,026	5,910,914
Current Assets			
Inventories - properties under development	2,431,575	174,798	2,606,373
Inventories - completed properties	24,707	-	24,707
Trade and other receivables	1,021,386	(208,200)	813,186
Contract assets	-	160,468	160,468
Gross amount due from customers	6,882	(6,882)	-
Current tax assets	46,999	-	46,999
Deposits	119,388	-	119,388
Cash and bank balances	314,436	-	314,436
	3,965,373	120,184	4,085,557
TOTAL ASSETS	9,850,261	146,210	9,996,471
EQUITY AND LIABILITIES			
EQUITY			
Share Capital	3,614,865	-	3,614,865
Warrant Reserve	194,395	-	194,395
Foreign currency translation reserve	(541)	(260)	(801)
Retained Earnings	455,315	(7,146)	448,169
Total Equity	4,264,034	(7,406)	4,256,628
Non-Current Liabilities			
Long term borrowings	2,202,608	-	2,202,608
Other payables	92,671	-	92,671
Deferred tax liabilities	48,563	(3,717)	44,846
	2,343,842	(3,717)	2,340,125
Current Liabilities			
Trade and other payables	1,946,382	(452,405)	1,493,977
Contract liabilities	-	609,738	609,738
Bank overdrafts	26,497	-	26,497
Short term borrowings	1,250,466	-	1,250,466
Current tax liabilities	19,040	-	19,040
	3,242,385	157,333	3,399,718
Total Liabilities	5,586,227	153,616	5,739,843
TOTAL EQUITY AND LIABILITIES	9,850,261	146,210	9,996,471

1. **Basis of preparation (continued)**

The effects of the transition to the MFRS Framework on the consolidated statement of comprehensive income are as follows:

Statement of Comprehensive Income 3 months ended 31 January 2018	**As previously reported (Under FRSs) RM'000**	**Reclassification RM'000**	**Effect of MFRS adjustments RM'000**	**As restated (Under MFRSs) RM'000**
Revenue	563,591	3,948	(48,324)	519,215
Cost of sales	(446,041)	(2,329)	34,036	(414,334)
Gross profit	117,550	1,619	(14,288)	104,881
Other income	13,319	(3,948)	-	9,371
Selling and marketing expenses	(9,140)	-	(646)	(9,786)
Administrative expenses	(58,885)	2,329	(259)	(56,815)
Finance costs	(22,749)	-	-	(22,749)
Share of results in an associate, net of tax	(162)	-	-	(162)
Share of results in joint ventures, net of tax	(36)	-	(2,962)	(2,998)
Profit before taxation	39,897	-	(18,155)	21,742
Income tax expense	(15,809)	-	3,835	(11,974)
Profit net of tax	**24,088**	**-**	**(14,320)**	**9,768**
Other comprehensive income:				
Exchange differences on translation of foreign operation	1,600	-	-	1,600
Share of other comprehensive losses of joint venture	(10,074)	-	(366)	(10,440)
Total comprehensive income for the period	**15,614**	**-**	**(14,686)**	**928**
Earnings per share attributable to owners of the company				
:-Basic earnings per share (sen)	0.82			0.33
- Diluted earning per share (sen)	0.82*			0.33*

* *Anti-dilutive*

There is no material impact on the consolidated statement of cash flows for the 3 months period ended 31 January 2018. The reclassification on adoption of the MFRS framework in the consolidated statement of cash flows for the 3 months ended 31 January 2018 is as follows:

Statement of Cash Flows 3 months ended 31 January 2018	**As previously reported (under FRSs) RM'000**	**Effect of MFRS adjustments RM'000**	**As restated (Under MFRSs) RM'000**
Net cash generated from operating activities	61,861	(5,605)	56,256
Net cash used in investing activities	(182,229)	5,605	(176,624)

2. **Seasonal or Cyclical Factors**

The business operations of the Group during the 3 months ended 31 January 2019 were not 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 3 months ended 31 January 2019.

4. **Changes in Estimates**

There were no material changes in estimates for the 3 months ended 31 January 2019.

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 sale of treasury shares during the 3 months ended 31 January 2019, except for the second issuance of unrated Medium Term Notes ("MTN") with a nominal value of RM40 million by Eco Botanic Sdn Bhd, a wholly owned subsidiary, on 24 December 2018. RM20 million out of the RM40 million MTNs are guaranteed by Danajamin Nasional Berhad.

6. **Dividends Paid**

There was no payment of dividend during the 3 months ended 31 January 2019.

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 January 2019 till 21 March 2019 (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 3 months ended 31 January 2019.

10. **Contingent Liabilities**

There were no contingent liabilities that has arisen since the date of the latest audited financial statements.

11. **Fair value of Financial Instruments**

(a) There were no derivative financial instruments as at 31 January 2019.

(b) The carrying amounts of the Group's financial assets and financial liabilities at amortised cost are reasonable approximations of fair values.

12. **Disaggregation of revenue**

The Group's revenue is as described in the last annual financial statements and is derived from contracts with customers. Revenue is disaggregated by primary geographical market as follow:-

	3 MONTHS ENDED	
	31/01/2019	**31/01/2018**
	RM'000	**RM'000**
		RESTATED
Location		
Klang Valley	200,274	345,996
Iskandar Malaysia	270,068	146,254
Penang	20,888	26,965
	491,230	519,215

13. **Commitments**

	As at
	31/01/2019
	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	27,922
Commitment to acquire properties, plant and equipment	13,758
Commitment to fund development costs of a joint venture	78,000

14. **Significant Related Party Transactions**

	3 MONTHS ENDED 31/01/2019 RM'000
(i) Transactions with shareholders/directors of the Company, its subsidiary companies, and companies in which they have interests	
- Rental paid and payable to companies in which a director has interest	63
(ii) Transactions with joint ventures	
- Advances given	21,000
- Interest received and receivable	12,078
- Development management fees received and receivable	16,332
- Other resources fees received and receivable	5,699
- Brand licensing fees received and receivable	1,341
- Commission received and receivable	317
- Rental received and receivable	132
- Support service fees received and receivable	22

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

1. **Review of Group Performance**

	3 MONTHS ENDED		
	31/01/2019 RM'000	31/01/2018 RM'000 RESTATED	Changes RM'000
Revenue	491,230	519,215	(27,985)
Gross profit	91,556	104,881	(13,325)
Share of results of joint ventures			
- Malaysia	17,876	(251)	18,127
- International	6,145	(2,747)	8,892
Profit before interest and tax	65,610	44,491	21,119
Profit before tax (PBT)	40,241	21,742	18,499
Profit after tax	30,317	9,768	20,549
Profit attributable to owners of the Company	30,317	9,768	20,549

The main projects which contributed to the Group's revenue and gross profit in 1Q 2019 were Eco Majestic, Eco Forest, Eco Sanctuary and Eco Sky in the Klang Valley, Eco Botanic, Eco Spring, Eco Summer, Eco Business Park I, Eco Business Park II, Eco Tropics and Eco Business Park III in Iskandar Malaysia and Eco Meadows and Eco Terraces in Penang.

Revenue recorded by the Group's Malaysian joint-ventures, namely ***Eco Grandeur***, ***Eco Horizon***, ***Eco Ardence*** and ***Bukit Bintang City Centre (BBCC)*** totalled RM296 million, of which the Group's effective share (unconsolidated) amounted to RM154 million.

The international joint venture, EcoWorld International Berhad (EWI), continued to record profit in 1Q 2019 following the commencement of delivery of completed units at ***London City Island*** and ***Embassy Gardens*** in 4Q 2018. This enabled the Group to record RM6.1 million as its share of EWI's profit in 1Q 2019, as compared to a share of loss of RM2.7 million in 1Q 2018.

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

	3 MONTHS ENDED		
	31/01/2019 RM'000	**31/10/2018 RM'000 RESTATED**	**Changes RM'000**
Revenue	491,230	461,354	29,876
Gross profit	91,556	90,251	1,305
Share of results of joint ventures			
- Malaysia	17,876	5,612	12,264
- International	6,145	3,402	2,743
Profit before interest and tax	65,610	44,452	21,158
Profit before tax (PBT)	40,241	14,388	25,853
Profit after tax	30,317	12,798	17,519
Profit attributable to owners of the Company	30,317	12,798	17,519

Revenue in 1Q 2019 was higher than in 4Q 2018 due to the recognition of revenue from sales secured in the 2nd half of FY 2018 and progress of works achieved in 1Q 2019.

Similarly share of results of joint ventures also increased arising from the higher sales achieved in 2nd half of 2018 by the joint ventures which contributed higher profit to the Group in 1Q 2019.

3. **Prospects for the Current Financial Year**

Location of projects	No of launched projects [2]	4 months ended 28.02.2019 Units launched [2]	Units sold [1,2]	Sales value [2] RM'mil	Cumulative sales [1,2] RM'mil	As at 28.02.2019 Future revenue [3] RM'mil
Klang Valley	8	21	96	100	10,025	2,871
Iskandar Malaysia	7	51	62	69	5,630	1,033
Penang	3	47	42	61	990	399
Malaysia	**18**	**119**	**200**	**230**	**16,645**	**4,303**

Location of projects	Land bank as at 31.10.2018 Acres	4 months ended 28.02.2019 Units launched [2]	Units sold [1,2]	Sales value [2] RM'mil	Cumulative sales [1,2] RM'mil	As at 28.02.2019 Future revenue [3] RM'mil
United Kingdom	50.3	96	48	138	9,731	1,462
Australia	2.4	-	3	8	1,252	315
Overseas	**52.7**	**96**	**51**	**146**	**10,983**	**1,777**
Total future revenue attributable to EcoWorld Malaysia						**6,080**

[1] *Includes sales of units from prior year launches*
[2] *Includes projects and sales (by units & value) of joint ventures*
[3] *Represents revenue expected to be recognised in the future from secured sales of subsidiaries and joint ventures (EcoWorld Malaysia's proportionate share based on equity interest)*

The Group recorded RM230 million in sales in the first 4 months of FY2019, which has been a very quiet period for the following reasons:

- The expiry of the highly successful #OnlyEcoWorld Campaign on 31 October 2018 which had enabled the Group to record RM1.9 billion sales in the final 4 months of FY2018, and

- A temporary market-wide lull in buying activities following the announcement of the National Home Ownership Campaign on 2 November 2018 – most buyers were reluctant to commit pending the official launch of the campaign as they wanted to ensure they would get the best possible deals.

However, arising from strong sales in FY2018, the Group still has future revenue amounting to RM6.08 billion as at 28 February 2019 which provides good earnings visibility for FY2019 and FY2020.

The Group has set a sales target of RM6 billion to be achieved over this and the next financial year which factors in the expected slow start to FY2019. Management remains confident that it will be able to meet the 2-year target based on the following:

- The Group's track record of securing between RM3 billion to RM4 billion sales per annum consistently over the last 5 financial years, notwithstanding the challenging market conditions prevailing throughout;

- The fundamental desirability of the Group's 18 ongoing projects with its distinctive EcoWorld Signature DNA that has resonated strongly with homebuyers in the Klang Valley, Iskandar Malaysia and Penang, and

- EcoWorld's commitment to continually value-create for the benefit of its purchasers – the most recent expression of this was via a new programme named "Life@EcoWorld", which envisages the establishment of digitally enabled communities using 4th IR solutions as well as the introduction of Integrated Wellness & Care components that meet the needs & lifestyle aspirations of our customers at every stage of their lives.

3. **Prospects for the Current Financial Year (continued)**

In preparation for the National Home Ownership Campaign's official launch, on 22 January 2019, the Group unveiled HOPE – Home Ownership Programme with EcoWorld. This represents the Group's most comprehensive and complete home ownership solution to-date which offers two methods for purchasers to start their home ownership journey:

- Outright purchase via EcoWorld's Help2Own (H2O) financial assistance programme, and
- Rent first and own later via EcoWorld's customised Stay2Own (S2O) programme developed in partnership with Maybank HouzKEY

HOPE is targeted at helping genuine homeowners, particularly young people just starting out in their careers, young families as well as upgraders, own a good home earlier, thus assisting them to accumulate wealth sooner. Interest in the programme has been very strong and following the official launch of the Home Ownership Campaign on 1 March 2019 sales have picked up in an encouraging manner again.

Overseas, EcoWorld International secured RM146 million sales in the first four months of FY2018. Market conditions in both the UK and Australia remain challenging as economic and political uncertainties weigh on homebuyers' sentiment, causing many to defer their purchases. Nevertheless, fundamentals of residential property markets in London, Sydney and Melbourne are strong, underpinned by growing populations and their status as global cities.

Construction works at EcoWorld International's projects are also progressing well with several residential blocks at London City Island and Embassy Gardens scheduled for handover in FY2019. This will enable a significant percentage of EcoWorld International's future revenue of RM6.6 billion (of which EcoWorld Malaysia's attributable share amounts to RM1.777 billion) to be translated into revenue in FY2019 and FY2020.

Following the success of its GBP389 million deal with Invesco Real Estate last year, EcoWorld London is pursuing new Build-to-rent (BtR) deals to tap into the growing institutional demand for purpose-built BtR developments in the UK. Several sites in EcoWorld London's existing portfolio have been identified for BtR development and the Group is working towards closing the sales of these BtR projects within this or the next financial year.

As at 28 February 2019, the Group's and EWI's land bank are as follows:-

		Land bank (acres)	
Location of projects	**No of projects**	**Original land size**	**Undeveloped**
Klang Valley	8	4,735.3*	2,892.8
Iskandar Malaysia	7	2,926.1	1,575.7
Penang	5	465.0	328.2
The Group	**20**	**8,126.4**	**4,796.7**
London	11	50.3	n/a
Sydney & Melbourne	3	2.4	0.7
EcoWorld International	**14**	**52.7**	**0.7**

* *Includes acquisitions by a joint-venture pending completion*

4. **Variance of Actual Profit from Forecast Profit**

There were no profit forecast published as at 31 January 2019.

5. Income Tax

Income Tax comprises:-

	3 MONTHS ENDED	
	31/01/2019	**31/01/2018**
	RM'000	**RM'000**
Current tax		
- for current quarter	12,874	42,070
- in respect of prior years	619	(173)
Deferred tax		
- for current quarter	(4,021)	(30,228)
- in respect of prior years	452	305
	9,924	11,974

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

6. Status of Corporate Proposals

The following is the corporate proposal previously announced by the Company that remained uncompleted as at 21 March 2019, 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 precedent 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 7 September 2018, the period to fulfil the remaining conditions precedent under SPA 5 has been extended to 30 September 2019.

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 31 January 2019 and 31 October 2018 were as follows:-

	As at 31 January 2019		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
Revolving credits	65,925	626,906	692,831
Term loans	1,240,271	355,563	1,595,834
Bridging loans	193,486	132,440	325,926
Medium term notes	188,810	-	188,810
Finance lease obligations	287	78	365
	1,688,779	1,114,987	2,803,766
Unsecured			
Revolving credits	-	793,800	793,800
Term loans	-	101,625	101,625
Medium term notes	249,608	-	249,608
Overdraft	-	27,258	27,258
	249,608	922,683	1,172,291
	1,938,387	2,037,670	3,976,057

	As at 31 October 2018		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
Revolving credits	70,455	586,890	657,345
Term loans	1,267,490	332,289	1,599,779
Bridging loans	189,611	132,876	322,487
Medium term notes	148,695	-	148,695
Finance lease obligations	307	76	383
	1,676,558	1,052,131	2,728,689
Unsecured			
Revolving credits	-	732,500	732,500
Term loans	-	101,625	101,625
Medium term notes	249,580	-	249,580
Overdraft	-	19,208	19,208
	249,580	853,333	1,102,913
	1,926,138	1,905,464	3,831,602

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

	As at 31 January 2019 %	As at 31 October 2018 %
Floating interest rate	5.54	5.54
Fixed interest rate	6.28	6.24

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 21 March 2019 (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 3 months ended 31 January 2019.

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	
	31/01/2019	**31/01/2018 RESTATED**
Profit for the period attributable to owners of the Company (RM'000)	30,317	9,768
Weighted average number of ordinary shares ('000)	2,944,369	2,944,369
Basic Earnings Per Ordinary Share (sen)	1.03	0.33

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	
	31/01/2019	**31/01/2018 RESTATED**
Profit for the period attributable to owners of the Company (RM'000)	30,317	9,768
Weighted average number of ordinary shares for basic Earnings Per Ordinary Share ('000)	2,944,369	2,944,369
Effect of potential exercise of Warrants ('000)	#	#
Weighted average number of ordinary shares ('000)	2,944,369	2,944,369
Diluted Earnings Per Ordinary Share (sen) *	1.03	0.33

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. **Auditors' Report on Preceding Annual Financial Statements**

The preceding audited financial statements for the financial year ended 31 October 2018 were unqualified.

12. **Provision of Financial Assistance**

	3 MONTHS ENDED 31/01/2019 RM'000
i) Advances provided to:-	
- BBCC Development Sdn Bhd	2,000
- Eco Horizon Sdn Bhd ("Eco Horizon")	19,000
ii) Guarantees given by the Company to secure the bank borrowings of Paragon Pinnacle Sdn Bhd ("Paragon Pinnacle")	63,500
	========

	As at 31/01/2019 RM'000
iii) Guarantees given by the Company 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	412,292
- Eco Horizon	289,755
	========

There is no material impact on the earnings and net tangible assets of the Group for the 3 months ended 31 January 2019.

13. **Notes to the Statement of Comprehensive Income**

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

	3 MONTHS ENDED 31/01/2019 RM'000
Interest income	10,276
Other income including investment income	2,229
Interest expense	(25,369)
Depreciation and amortisation	(6,217)
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)	(13)
Gain or loss on derivatives	-
Exceptional items	-

By order of the Board
Chua Siew Chuan
Company Secretary
28 March 2019