

ECO WORLD DEVELOPMENT GROUP BERHAD
(Company No: 197401000725 (17777 – V))
(Incorporated in Malaysia)

Interim Financial Report
31 October 2020

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Interim Financial Report - 31 October 2020

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ECO WORLD DEVELOPMENT GROUP BERHAD
(Company No: 197401000725 (17777 – V))
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 OCTOBER 2020
(The figures have not been audited)

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 OCTOBER 2020	31 OCTOBER 2019	31 OCTOBER 2020	31 OCTOBER 2019
	RM'000	RM'000	RM'000	RM'000
Revenue	635,466	906,543	1,996,681	2,462,325
Cost of sales	(583,567)	(764,995)	(1,729,211)	(1,992,654)
Gross profit	51,899	141,548	267,470	469,671
Other income	13,581	13,651	58,067	53,661
Selling and marketing expenses	(13,169)	(17,586)	(39,032)	(50,546)
Administrative expenses	(40,501)	(72,037)	(173,876)	(246,884)
Finance costs	(18,512)	(27,099)	(93,505)	(101,890)
Share of results in joint ventures, net of tax	81,053	66,151	151,252	144,264
Share of results in an associate, net of tax	(377)	(192)	(1,330)	(2,301)
Profit before tax	73,974	104,436	169,046	265,975
Income tax expense	(7,516)	(22,979)	(33,875)	(62,553)
Profit net of tax	66,458	81,457	135,171	203,422
Other comprehensive income, net of tax				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations	96	(63)	38	(40)
Share of other comprehensive income/(loss) of a joint venture	(24,388)	48,892	(2,288)	7,049
Total comprehensive income for the period	42,166	130,286	132,921	210,431
Profit net of tax attributable to:				
Owners of the Company	66,458	81,457	135,171	203,422
Non-controlling interests	-	-	-	-
	66,458	81,457	135,171	203,422
Total comprehensive income attributable to:				
Owners of the Company	42,166	130,286	132,921	210,431
Non-controlling interests	-	-	-	-
	42,166	130,286	132,921	210,431
Earnings per share attributable to owners of the Company:				
Basic earnings per share (sen)	2.26	2.77	4.59	6.91
Diluted earnings per share (sen) *	2.26	2.77	4.59	6.91

* Anti-dilutive

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

ECO WORLD DEVELOPMENT GROUP BERHAD
 (Company No: 197401000725 (17777 – V))
 (Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 OCTOBER 2020

	As At 31 OCTOBER 2020 UNAUDITED RM'000	As At 31 OCTOBER 2019 AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	180,889	229,622
Investment properties	19,641	19,510
Right-of-use assets	4,064	-
Inventories - land held for property development	4,243,824	3,965,190
Investment in an associate	58,242	54,769
Investment in joint ventures	1,305,460	1,208,494
Trade receivables	119,374	112,171
Lease receivables	3,739	-
Amount due from joint ventures	870,654	760,099
Deferred tax assets	103,639	99,088
	<u>6,909,526</u>	<u>6,448,943</u>
Current assets		
Inventories - property under development	1,311,502	2,062,916
Inventories - completed properties	726,387	597,090
Trade and other receivables	849,615	870,224
Lease receivables	1,065	-
Contract assets	56,506	68,545
Current tax assets	42,360	40,197
Deposits	202,303	221,973
Cash and bank balances	254,134	378,566
	<u>3,443,872</u>	<u>4,239,511</u>
TOTAL ASSETS	<u>10,353,398</u>	<u>10,688,454</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	3,614,865	3,614,865
Warrants reserve	194,395	194,395
Foreign currency translation reserve	(18,487)	(15,783)
Cash flow hedge reserve	(89)	(543)
Retained earnings	880,253	745,082
Total equity	<u>4,670,937</u>	<u>4,538,016</u>
Non-current liabilities		
Long term borrowings	1,266,000	1,803,825
Other payables	319,684	-
Lease liabilities	12,314	226
Deferred tax liabilities	40,982	31,748
	<u>1,638,980</u>	<u>1,835,799</u>
Current liabilities		
Trade and other payables	1,042,195	1,162,911
Contract liabilities	945,799	1,173,894
Bank overdrafts	25,323	26,330
Short term borrowings	2,025,084	1,949,253
Lease liabilities	3,905	81
Current tax liabilities	1,175	2,170
	<u>4,043,481</u>	<u>4,314,639</u>
Total liabilities	<u>5,682,461</u>	<u>6,150,438</u>
TOTAL EQUITY AND LIABILITIES	<u>10,353,398</u>	<u>10,688,454</u>
Net Assets Per Share Attributable to Owners of the Company (RM)	<u>1.59</u>	<u>1.54</u>

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

ECO WORLD DEVELOPMENT GROUP BERHAD
(Company No: 197401000725 (17777 – V))
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 OCTOBER 2020
(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 2019	3,614,865	194,395	(15,783)	(543)	745,082	4,538,016
Profit for the year	-	-	-	-	135,171	135,171
Other comprehensive (loss)/income	-	-	(2,704)	454	-	(2,250)
At 31 October 2020	3,614,865	194,395	(18,487)	(89)	880,253	4,670,937
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 year	-	-	-	-	203,422	203,422
Other comprehensive income/(loss)	-	-	7,552	(543)	-	7,009
At 31 October 2019	3,614,865	194,395	(15,783)	(543)	745,082	4,538,016

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

ECO WORLD DEVELOPMENT GROUP BERHAD

(Company No: 197401000725 (17777 – V))

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

AS AT 31 OCTOBER 2020

(The figures have not been audited)

	12 MONTHS ENDED	
	31 OCTOBER 2020	31 OCTOBER 2019
	RM'000	RM'000
Operating activities		
Profit before tax	169,046	265,975
Adjustments for :		
Non-cash items	(16,070)	(99,105)
Non-operating items	46,506	56,357
Operating cash flows before changes in working capital	199,482	223,227
Changes in inventories - property under development	483,722	481,650
Changes in inventories- completed properties	314,362	131,682
Changes in contract assets/contract liabilities	(216,057)	87,903
Changes in receivables	42,703	(41,024)
Changes in payables	(115,753)	(119,164)
Cash flows generated from operations	708,459	764,274
Interest received	5,385	8,415
Interest paid	(159,512)	(182,148)
Net income taxes paid	(35,821)	(48,039)
Net cash flows generated from operating activities	518,511	542,502
Investing activities		
Additions to inventories - land held for property development	(139,759)	(294,956)
Purchase of property, plant and equipment and investment properties	(24,131)	(19,313)
Proceeds from disposal of property, plant and equipment	50,042	59
Subscription of ordinary shares in an associate	-	(50)
Subscription of redeemable preference shares in an associate	(4,800)	-
Advances to joint ventures	(110,000)	(57,728)
Repayment of interest by a joint venture	56,641	-
Withdrawal/(Placement) of redemption and debt service reserve accounts	21,236	(69,622)
Other investments	4,430	5,649
Net cash flows used in investing activities	(146,341)	(435,961)
Financing activities		
Drawdown of bank borrowings	171,682	764,842
Repayment of bank borrowings and lease liabilities	(639,875)	(824,335)
Interest paid	(25,828)	(33,563)
Net cash flows used in financing activities	(494,021)	(93,056)
Net increase in cash and cash equivalents	(121,851)	13,485
Effect of exchange rate changes	(8)	13
Cash and cash equivalents at 1 November 2019 / 2018	386,173	372,675
Cash and cash equivalents at 31 October 2020 / 2019	264,314	386,173
Cash and cash equivalents comprise the following:		
Deposits	202,303	221,973
Cash and bank balances	254,134	378,566
Bank overdrafts	(25,323)	(26,330)
	431,114	574,209
Less: Deposit pledged, Debt Service Reserve, Redemption Accounts and Escrow Accounts	(166,800)	(188,036)
	264,314	386,173

(The Condensed Consolidated Statements of Cash Flow should be read in conjunction with the audited financial statements for the year ended 31 October 2019 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 audited financial statements of the Group for the financial year ended 31 October 2019.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the financial year ended 31 October 2019 except for the adoption of the following new MFRS, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”) which are relevant and mandatory for the current financial year:-

MFRS 16	Leases
Amendments/Improvements to MFRS 3	Business Combinations
Amendments/Improvements to MFRS 9	Financial Instruments
Amendments/Improvements to MFRS 11	Joint Arrangements
Amendments/Improvements to MFRS 112	Income Taxes
Amendments/Improvements to MFRS 119	Employee Benefits
Amendments/Improvements to MFRS 123	Borrowing Costs
Amendments/Improvements to MFRS 128	Investments in Associates and Joint Ventures
IC Int 23	Uncertainty over Income Tax Treatments

The adoption of the above MFRS, amendments/improvements to MFRSs and IC Int did not have any material financial impact to the Group except for the adoption of MFRS 16, which is discussed below.

1. Basis of Preparation (continued)

MFRS 16 – Leases

MFRS 16 replaces MFRS 117 *Leases*, IC Int 4 *Determining whether an Arrangement contains a Lease*, IC Int 115 *Operating Lease-Incentives* and IC Int 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under MFRS 117.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration. MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a “right-of-use” of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 - Property, Plant and Equipment and the lease liability is accreted over time with interest expense recognised in profit or loss.

In the Statements of Cash Flows under MFRS 16, the operating lease payments previously included in operating cash flows under MFRS 117 are separately presented as principal repayment within financing cash flows and interest payment within operating cash flows.

The Group has elected to apply MFRS 16 using the modified retrospective approach. Accordingly, the comparative information has not been restated.

2. Seasonal or Cyclical Factors

The business operations of the Group during the 12 months ended 31 October 2020 were not materially affected by any seasonal or cyclical factors.

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

Save for the effects of the Coronavirus pandemic discussed under Review of Group Performance, there were no unusual items affecting assets, liabilities, equity, net income or cash flows during the 12 months ended 31 October 2020.

4. Changes in Estimates

There were no material changes in estimates for the 12 months ended 31 October 2020.

5. Debts and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares during the 12 months ended 31 October 2020.

6. Dividends Paid

There was no payment of dividend during the 12 months ended 31 October 2020.

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 2020 till 10 December 2020 (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 12 months ended 31 October 2020 except as follows:

- a) Striking off of Focal Aims Resort (M) Sdn Bhd and Focal Aims Development Sdn Bhd, subsidiaries of the Company, on 17 February 2020; and
- b) Cessation of Eco World Property Management Services Sdn Bhd (formerly known as Hara Kecil Sdn Bhd) ("EWPMS") as a wholly owned subsidiary of the Company arising from the issuance of 98 new ordinary shares of RM1.00 each by EWPMS on 29 May 2020. This resulted in EWPMS becoming a 49%-owned associate of the Company.

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 October 2020.
- (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 disaggregated by primary geographical market as follows:-

	12 MONTHS ENDED	
	31/10/2020	31/10/2019
Location	RM'000	RM'000
Klang Valley	1,046,415	1,317,787
Iskandar Malaysia	852,663	1,009,123
Penang	97,603	135,415
	<u>1,996,681</u>	<u>2,462,325</u>

13. Commitments

	As at 31/10/2020 RM'000
Approved and contracted for:-	
Commitment to subscribe for ordinary shares in MFBBCC Retail Mall Sdn Bhd ("MFBBCC Retail Mall")	240
Commitment to subscribe for redeemable preference shares in MFBBCC Retail Mall	23,122
Commitment to acquire property, plant and equipment	5,141
Commitment to fund development costs of joint ventures	<u>229,069</u>

14. Significant Related Party Transactions

	12 MONTHS ENDED 31/10/2020 RM'000
(i) Transactions with shareholders/directors of the Company and its subsidiary companies, and with companies in which they have interests	
- Purchase of shop offices from a company in which a director has interest	11,200
- Rental paid and payable to companies in which a director has interest	106
- Stay2Own rental received from directors of subsidiary companies	<u>57</u>
(ii) Transactions with joint ventures	
- Advances given	110,000
- Interest received and receivable	57,196
- Development management fees received and receivable	62,671
- Other resources fees received and receivable	22,581
- Brand licensing fees received and receivable	5,012
- Commission received and receivable	627
- Rental received and receivable	495
- Advisory fees received and receivable	107
- Support service fees received and receivable	140
- Sales of sanitaryware	<u>12</u>

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

1. Review of Group Performance

	3 MONTHS ENDED			12 MONTHS ENDED		
	31/10/2020 RM'000	31/10/2019 RM'000	Changes RM'000	31/10/2020 RM'000	31/10/2019 RM'000	Changes RM'000
Revenue	635,466	906,543	(271,077)	1,996,681	2,462,325	(465,644)
Gross profit	51,899	141,548	(89,649)	267,470	469,671	(202,201)
Share of results of joint ventures						
- Malaysia	45,022	25,507	19,515	97,270	85,067	12,203
- International	36,031	40,644	(4,613)	53,982	59,197	(5,215)
Profit before interest and tax	92,486	131,535	(39,049)	262,551	367,865	(105,314)
Profit before tax (PBT)	73,974	104,436	(30,462)	169,046	265,975	(96,929)
Profit after tax	66,458	81,457	(14,999)	135,171	203,422	(68,251)
Profit attributable to owners of the Company	66,458	81,457	(14,999)	135,171	203,422	(68,251)

(a) 4Q 2020 vs 4Q 2019

The main projects which contributed to revenue and gross profit in 4Q 2020 were *Eco Majestic*, *Eco Forest*, *Eco Sky* and *Eco Sanctuary* in the Klang Valley, *Eco Spring*, *Eco Summer* and *Eco Tropics* in Iskandar Malaysia and *Eco Meadows* in Penang.

Revenue in 4Q 2020 is the highest amount recorded in the four quarters of FY2020, signifying a rebound in both sales as well as construction progress, following the gradual relaxation of the Movement Control Order (MCO) from 3Q 2020 onwards.

However, compared to 4Q 2019, revenue was 29.9% lower. This is because 4Q 2019 was an especially strong quarter (revenue was 96% higher than 4Q 2018). In fact, FY2019 was the year in which the Group achieved its highest number of completion and handover of properties sold since its inception.

The Group's share of the results of its Malaysian joint-ventures (JVs), namely, *Eco Grandeur*, *Eco Business Park V*, *Eco Horizon*, *Eco Ardence* and *Bukit Bintang City Centre (BBCC)*, recovered in 4Q 2020 with a 76.5% increase recorded as compared to 4Q 2019. In total, the Malaysian JVs recorded revenue of RM522.5 million in 4Q 2020, of which the Group's effective share (proforma and unconsolidated) amounted to RM268.8 million.

Gross profit margin reduced in 4Q 2020 compared to 4Q 2019, mainly attributable to a further RM33 million write down of inventories in 4Q 2020 following a detailed review of residual unsold stock within phases that have been handed over. Excluding the impact of this further write down, gross profit margin in 4Q 2020 would have been 13.4% as compared to the 15.6% achieved in 4Q 2019.

The impact of the lower gross profit recorded in 4Q 2020 was mitigated by extensive cost control measures implemented since the start of the MCO. By observing strict financial discipline, the Group was able to substantially reduce its selling and marketing expenses and administrative expenses by 25% and 44%, respectively, compared to 4Q 2019.

1. Review of Group Performance (continued)

(a) 4Q 2020 vs 4Q 2019 (continued)

Finance costs were 32% lower than 4Q 2019 mainly due to loan repayments and lower interest rates on floating rate loans, arising from the reduction in the Overnight Policy Rates by Bank Negara Malaysia.

On the international front, share of results from EcoWorld International Berhad (EcoWorld International) was lower in 4Q 2020 as compared to 4Q 2019. This is mainly due to the higher number of sold units handed over to customers in 4Q 2019 as compared to 4Q 2020.

Arising from the above, the Group recorded a lower profit after tax of RM66.5 million as compared to 4Q 2019.

(b) 4Q YTD 2020 vs 4Q YTD 2019

Revenue in 4Q YTD 2020 was lower than 4Q YTD 2019. As explained above, FY 2019 was the year in which the Group achieved its highest number of completion and handover of properties sold since inception. Additionally, revenue recognition in 4Q YTD 2020 was hampered by the MCO which required:

- all of the Group's sales galleries to be closed from 18 March to 3 May 2020. This severely impacted the conversion of bookings into sales in 2Q 2020; and
- most activities on construction sites ceased from 18 March until mid-June 2020.

The lower gross profit of the Group in 4Q YTD 2020 was partially offset by the higher share of results contributed by its Malaysian joint-ventures as compared to 4Q YTD 2019. Collectively, *Eco Grandeur*, *Eco Ardence*, *Eco Horizon* and *Bukit Bintang City Centre (BBCC)* recorded RM1,321.0 million in revenue of which the Group's effective share, based on its equity stakes in the respective joint-ventures, amounted to RM687.4 million. The higher contribution from the Malaysian JVs, notwithstanding the challenges of Covid-19, was mainly due to higher profit recognition by *Eco Horizon* and *BBCC* (both of which are expected to handover their first phase launches in FY2021) and cost savings realised following handover of shop offices by *Eco Ardence* and *Eco Grandeur*.

Share of results from EcoWorld International was lower in 4Q YTD 2020 when compared to 4Q YTD 2019. This was due to the lower number of sold units handed over to customers in 4Q YTD 2020 as a result of delays in work progress caused by temporary cessation/reduced levels of site activity to combat Covid-19 in the United Kingdom and Australia.

Overall, the Group's profit before tax in 4Q YTD 2020 was lower than 4Q YTD 2019 mainly due to the write down in inventories in 3Q 2020 of RM65 million and 4Q 2020 of RM33 million.

The lower profit was however substantially mitigated by cost savings measures implemented, resulting in savings of RM84.5 million in selling, marketing and administration expenses, as well as lower finance costs and higher share of results from the Malaysian joint-ventures. If not for the writedown, the Group's FY2020 Profit Before Tax (PBT) would have been RM267.9 million which is higher than the FY2019 PBT of RM266 million.

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

	3 MONTHS ENDED		Changes RM'000
	31/10/2020 RM'000	31/07/2020 RM'000	
Revenue	635,466	477,867	157,599
Gross profit	51,899	54,547	(2,648)
Share of results of joint ventures			
- Malaysia	45,022	17,518	27,504
- International	36,031	9,954	26,077
Profit before interest and tax	92,486	48,356	44,130
Profit before tax (PBT)	73,974	24,353	49,621
Profit after tax	66,458	13,805	52,653
Profit attributable to owners of the Company	66,458	13,805	52,653

Higher revenue achieved in 4Q 2020 was primarily due to the following:

- full resumption of construction works at the Group's various project sites after mid-June 2020;
- focused implementation of catch-up plans Group-wide to expedite work progress; and
- higher new sales achieved in 4Q 2020 as explained in the Prospects section below.

3. Prospects for the Next Financial Year

Location of projects	No. of launched projects ²	1 November 2019 to 31 October 2020			Cumulative sales ^{1,2} RM'mil	As at 31 October 2020
		Units launched ²	Units sold ^{1,2}	Sales value ² RM'mil		Future revenue ^{3,4} RM'mil
Klang Valley	8	3,532	1,898	1,555	12,765	1,946
Iskandar Malaysia	7	1,257	1,084	608	6,916	816
Penang	3	152	259	139	1,212	165
Malaysia	18	4,941	3,241	2,302	20,893	2,927
United Kingdom	50.7	273	350	1,462	12,082	636
Australia	2.4	-	(29)	(62)	1,255	139
Overseas	53.1	273	321	1,400	13,337	775
Total future revenue attributable to EcoWorld Malaysia						3,702

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 based on EcoWorld Malaysia's equity interest

⁴ Adjusted to take into account a reduction in future revenue following the discontinuance of the proposed sale of a hotel block by BBCC (see below)

3. Prospects for the Next Financial Year (continued)

The table below sets out the sales achieved by the Group's Malaysian projects in FY2020 by quarter:

	1Q 2020	2Q 2020	3Q 2020	4Q 2020	FY 2020
Sales Value (RM 'mil)	305	28	960	1,009	2,302

The Group recorded its highest quarterly sales of more than RM1 billion in 4Q 2020 on the back of a resurgence in buying interest experienced across its various projects following a relaxation of MCO restrictions. Sales in 2H 2020 totalled almost RM2 billion, or 85% of full year sales. This enabled EcoWorld Malaysia to exceed its RM2 billion sales target for FY2020 by a margin of 15%, despite continuing Covid-19 uncertainties.

EcoWorld Malaysia's FY2020 Sales Performance and Future Revenue position

The resurgence in sales in 2H 2020 is attributable to:

Branding / Marketing & Digitalisation efforts

- EcoWorld's early investment over the last several years to create a substantial digital brand presence across multiple online platforms enabled it to connect effectively with prospects both during the MCO and after the relaxation of MCO restrictions;
- The Group's concerted efforts to digitalise every aspect of its business further improved its lead generation capabilities and helped accelerate the conversion of bookings into sales.

Signature EcoWorld Townships and other Residential / Integrated Commercial projects

- The tangible unique value proposition each EcoWorld project was able to offer its specific target market underpinned demand for the Group's products. This value proposition, which encompasses the living environments created, design of homes, project accessibility and presence of comprehensive amenities & services to cater to customers' lifestyle needs, is collectively referred to as the EcoWorld DNA;
- Positive response received on the Group's various promotional campaigns including its latest **#YouBelong** campaign succeeded in conveying the message to the Group's prospective customers that they belong in an EcoWorld Community;
- The official launch of the Group's new **duduk** series of vertical townships in two locations, namely **Huni @ EcoArdence** and **Se.Ruang @ EcoSanctuary** also contributed to the sales achieved in 4Q 2020.

Eco Business Parks in Iskandar Malaysia and the Klang Valley

- Rising demand for the Group's business park products resulted in a 193% increase in sales from RM75.2 million in 3Q YTD 2020 to RM220.4 million in 4Q YTD 2020. Apart from the sale of 16.32 acres of industrial land at Eco Business Park (EBP) V for RM53.3 million to Baosteel Can Making (Malaysia) Sdn Bhd entered into in August 2020, increased interest from other foreign and local industrialists contributed to the strong performance by the Group's four business park developments.

3. Prospects for the Next Financial Year (continued)

EcoWorld Malaysia's future revenue, including its effective share of the future revenue of Malaysian and International JVs, amounted to RM3.7 billion as at 31 October 2020. This amount has decreased since the end of 3Q 2020 due to:

- the resumption of site activities in 4Q 2020, which resumed the recognition of brought forward future revenue as current quarter revenue in the income statement;
- the sale of a substantial portion of completed and near-completion properties in 4Q 2020, which enabled the revenue from such sales to be recognised in full or almost in full within 4Q 2020;

The above factors have resulted in the Group recording its highest quarterly revenue in 4Q 2020, as mentioned under Review of Group Performance, item 1(a) above.

EcoWorld Malaysia's Plans for FY2021

Moving forward into FY2021, EcoWorld Malaysia will be pursuing the following:

Signature EcoWorld Townships and other Residential / Integrated Commercial projects

- Launch of **Eco Botanic II** offering landed homes priced from RM500,000 to RM800,000 which are well within the affordability range of young M40 families;
- Launch of **Co-Homes** at **Eco Grandeur** in Ijok and **Eco Horizon** in Penang as well as smaller built-up garden homes at several projects in the Klang Valley and Iskandar Malaysia. These products, which are priced very attractively from below RM400,000 up to RM900,000, will further grow the Group's share of the M40, Gen-Y & Gen-Z customer segment.
- EcoWorld's ability to meet the needs of young urbanites and investors seeking to own a residential property within the city centre will be enhanced with the introduction of **SWNK Houze** at BBCC in FY2021. This exciting new product offers a wide range of serviced apartments from studio units, 1-bed, 2-beds, 2+1 beds, 3-beds as well as dual key units with a cool, urban-chic vibe.

Following a decision by Hass Holdings Sdn Bhd to discontinue its proposed purchase of a 28-storey hotel block from BBCC, **SWNK Houze** will replace the hotel block and be situated right above the Entertainment Hub and immediately adjacent to the Mitsui-Lalaport Retail Mall. Purchasers and residents of **SWNK Houze** will therefore be able to enjoy the best of inner-city living with a wide variety of retail and entertainment options (offered by Sony Music's Zepp Hall, the Malaysian Grand Bazaar and cineplexes which are all housed within the Entertainment Hub).

Eco Business Parks in Iskandar Malaysia and the Klang Valley

The Group intends to build on the growing interest in industrial properties to further promote its Eco Business Park projects which are located in the Senai, Pasir Gudang and Tebrau corridors of Iskandar Malaysia as well as Puncak Alam in the Klang Valley.

The combined size of EcoWorld Malaysia's industrial portfolio is approximately 1,760 acres with a total GDV of RM9.5 billion. As at 31 October 2020 EcoWorld Malaysia has achieved cumulative sales of RM2.1 billion from its business park segment. Remaining landbank and GDV of the Group's four business parks stands at 1,122 acres and RM7.4 billion, respectively, as at 31 October 2020.

3. Prospects for the Next Financial Year (continued)

Over the years, Management has built up a strong network of contacts with local and foreign industrialists and developed a close working relationship with both Federal and State regulatory authorities involved in the promotion and approval of industrial developments in Iskandar Malaysia and Selangor. In FY2021, the Group intends to further grow its share of this important market, supported by the attractive tax and other incentives offered by the Malaysian Government under PENJANA and as announced in Budget 2021 to increase foreign direct as well as and local private investments in key industries and service sectors.

FY2021 Sales Target

For FY2021, EcoWorld Malaysia targets to achieve sales of RM2.875 billion, which is 25% higher than the actual RM2.3 billion sales achieved in FY2020.

Management is confident that the strategic plans it has put in place to focus on the larger and more resilient M40 / Gen-Y & Gen-Z customer groups and actively promote its business parks to local and foreign industrialists, will contribute towards the attainment of the target set. In addition, the proactive steps taken in FY2020 to reduce and reset the Group's cost structure, as well as further digitalise every aspect of EcoWorld Malaysia's operations for increased effectiveness & efficiency, will help counteract the impact of a soft property market and preserve cashflow & profits.

Barring unforeseen circumstances, these measures should place the Group on a path of steady growth in the years ahead.

Maiden Dividend

The Board of Directors has declared a maiden interim single tier dividend of 2 sen per share in respect of the financial year ended 31 October 2020 (see item 9 below for details).

EcoWorld International – FY2020 Performance and Plans for FY2021

EcoWorld International achieved full-year sales of RM1.4 billion with RM448 million recorded in the final quarter. Although it did not achieve the full year target of RM2.2 billion due to the rescheduling of its Build-to-Rent (BtR) sale to FY2021, it is worth noting that FY2020's open market sales were 25% higher than in FY2019, despite disruption to marketing plans for many locations due to Covid-19.

EcoWorld International's launch of The Modern, the final block of Embassy Gardens and Lily House, the third residential block in Verdo Kew Bridge, contributed to the substantially stronger sales achieved in 4Q 2020. This result also reaffirms London's position as a major property investment destination for global property investors.

In 4Q 2020, EcoWorld London made some progress with regard to the proposed sale of BtR blocks in Quayside Barking (formerly known as Tesco Barking). Major institutional investors continue to show keen interest in the asset following extensive discussions with Management. However, due to additional initiatives taken to refine the development plans based on feedback provided by the local council and potential investors, the sale of Quayside Barking has been rescheduled to FY2021.

Based on the above, EcoWorld International has announced a sales target of RM2.2 billion for FY2021.

With regard to project deliveries, EcoWorld International handed over West Village in 3Q 2020 and commenced the handing over of Wardian London in 4Q 2020. As at 31 October 2020, 249 private units have been handed over to the purchasers of Wardian London with a balance 293 private units to be handed over in the early part of FY2021. Yarra One in Melbourne is also nearing completion and settlement notices are expected to be issued to purchasers in 1Q 2021.

With the completion of Wardian London and Yarra One on the horizon, EcoWorld International intends to repatriate some profits from the its UK and Australian projects for dividend declaration in FY2021.

3. Prospects for the Next Financial Year (continued)

As at 31 October 2020, 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	2,523.6
Iskandar Malaysia	8	3,126.1*	1,706.4
Penang	4	463.9	327.1
The Group	20	8,325.3	4,557.1

* Includes acquisitions pending completion

4. Variance of Actual Profit from Forecast Profit

There were no profit forecast published as at 31 October 2020.

5. Income Tax

Income Tax comprises:-

	3 MONTHS ENDED		12 MONTHS ENDED	
	31/10/2020	31/10/2019	31/10/2020	31/10/2019
	RM'000	RM'000	RM'000	RM'000
Current tax				
- for current quarter	3,189	12,964	28,051	48,266
- in respect of prior years	(2,633)	1,069	4,446	1,687
Deferred tax				
- for current quarter	6,132	7,977	10,231	8,109
- in respect of prior years	828	969	(8,853)	4,491
	<u>7,516</u>	<u>22,979</u>	<u>33,875</u>	<u>62,553</u>

The Group's effective tax rates for the 4Q 2020 and 4Q YTD 2020 are higher than the statutory tax rate mainly due to certain non-tax deductible expenses, which includes the write-down of inventories.

6. Status of Corporate Proposals

The following are the corporate proposals previously announced by the Company that remained uncompleted as at 10 December 2020, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report:-

- (a) On 15 December 2019, Melia Spring Sdn. Bhd. (“Melia Spring”), a wholly-owned subsidiary, entered into the following agreements:
- (i) a conditional development agreement (“Development Agreement”) with Permodalan Darul Ta’zim Sdn. Bhd. (“PDT”) where PDT agreed to nominate Melia Spring to purchase a piece of freehold land (“the Land”) from River Retreat Sdn. Bhd. (“RRSB”) and for Melia Spring to develop the Land; and
 - (ii) a conditional sale and purchase agreement (“SPA”) with RRSB for Melia Spring to acquire the Land from RRSB for a base land price of RM304,920,000.

The SPA and Development Agreement became unconditional on 6 October 2020 and the sale and purchase of the Land is expected to be completed by the first quarter of calendar year 2021.

- (b) Proposed merger with UEM Sunrise Berhad (“UEMS”)

On the evening of 2 October 2020, the Board received a letter from UEM Group Berhad requesting the Board to consider and deliberate on a proposed merger of UEMS and the Company via an exchange of shares and warrants held by the Company’s shareholders and warrant holders for new shares and new warrants in UEMS, respectively (“Proposed Merger”).

On 30 October 2020, the Company announced that it had written to UEM Group Berhad to request for more time for the Board to consider the Proposed Merger. The Board has requested until 2 January 2021 to respond with a decision to UEM Group Berhad.

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 31 October 2020 and 31 October 2019 were as follows:-

	As at 31 October 2020		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
Revolving credits	118,159	607,257	725,416
Term loans	328,800	541,096	869,896
Bridging loans	230,544	52,850	283,394
Medium term notes	89,745	99,863	189,608
Hire purchase (included in lease liabilities)	139	86	225
	<u>767,387</u>	<u>1,301,152</u>	<u>2,068,539</u>
Unsecured			
Revolving credits	-	724,018	724,018
Medium term notes	498,752	-	498,752
Overdraft	-	25,323	25,323
	<u>498,752</u>	<u>749,341</u>	<u>1,248,093</u>
	<u>1,266,139</u>	<u>2,050,493</u>	<u>3,316,632</u>
	As at 31 October 2019		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
Revolving credits	103,669	666,546	770,215
Term loans	831,199	392,367	1,223,566
Bridging loans	181,446	120,560	302,006
Medium term notes	189,149	-	189,149
Hire purchase (included in lease liabilities)	226	81	307
	<u>1,305,689</u>	<u>1,179,554</u>	<u>2,485,243</u>
Unsecured			
Revolving credits	-	769,780	769,780
Medium term notes	498,362	-	498,362
Overdraft	-	26,330	26,330
	<u>498,362</u>	<u>796,110</u>	<u>1,294,472</u>
	<u>1,804,051</u>	<u>1,975,664</u>	<u>3,779,715</u>

The weighted average interest rate at the end of the reporting year were as follows:

	As at 31 October 2020	As at 31 October 2019
	%	%
Floating interest rate	4.24	5.43
Fixed interest rate	6.50	6.50

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

The decrease in borrowings is mainly due to repayments during the 12 months ended 31 October 2020.

The Group's gearing ratios are as follows:

	As at 31 October 2020	As at 31 October 2019
Gross Gearing	0.71	0.83
Net Gearing	0.61	0.70

8. Material Litigation

The Group was not engaged in any material litigation as at 10 December 2020 (the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report).

9. Dividends Declared

The Board of Directors has declared an interim dividend in respect of the financial year ended 31 October 2020:

Amount per share : 2.0 sen single tier dividend
Date payable : To be determined later

In respect of deposited securities, entitlement to dividends will be determined on the basis of record of depositors as at a date to be determined later.

10. Earnings Per Share Attributable To Owners of The Company

Earnings per share has been calculated by dividing the Group's profit after tax 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	
	31/10/2020	31/10/2019	31/10/2020	31/10/2019
Profit for the year attributable to owners of the Company (RM'000)	<u>66,458</u>	<u>81,457</u>	<u>135,171</u>	<u>203,422</u>
Weighted average number of ordinary shares ('000)	<u>2,944,369</u>	<u>2,944,369</u>	<u>2,944,369</u>	<u>2,944,369</u>
Basic Earnings Per Ordinary Share (sen)	<u>2.26</u>	<u>2.77</u>	<u>4.59</u>	<u>6.91</u>

Diluted earnings per share has been calculated by dividing the Group's profit after tax attributable to owners 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.

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

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

	3 MONTHS ENDED		12 MONTHS ENDED	
	31/10/2020	31/10/2019	31/10/2020	31/10/2019
Profit for the year attributable to owners of the Company (RM'000)	66,458	81,457	135,171	203,422
Weighted average number of ordinary shares for basic Earnings Per Ordinary Share ('000)	2,944,369	2,944,369	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	2,944,369	2,944,369
Diluted Earnings Per Ordinary Share (sen) *	2.26	2.77	4.59	6.91

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 2019 were unqualified.

12. Provision of Financial Assistance

	12 MONTHS ENDED 31/10/2020 RM'000
i) Advances provided to:	
- BBCC Development Sdn Bhd	20,000
- Paragon Pinnacle Sdn Bhd ("Paragon Pinnacle")	90,000
ii) Guarantees given by the Company to secure the bank borrowings of:	
- Paragon Pinnacle	174,900
- Eco Horizon Sdn Bhd ("Eco Horizon")	35,505
	=====
	As at 31/10/2020 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 Sdn Bhd:	
- Paragon Pinnacle	438,510
- Eco Horizon	363,242
	=====

There has been no material impact on the earnings and net tangible assets of the Group for the 12 months ended 31 October 2020 arising from the above-mentioned guarantees.

13. Notes to the Statement of Comprehensive Income

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

	3 MONTHS ENDED 31/10/2020 RM'000	12 MONTHS ENDED 31/10/2020 RM'000
Interest income	9,874	44,324
Other income including investment income	3,707	13,743
Interest expense	(18,512)	(93,505)
Depreciation and amortisation	(7,922)	(25,827)
Provision for write off of receivables	-	-
Write down of inventories	(33,429)	(98,847)
Gain or loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of right-of-use assets	(6,018)	(6,018)
Foreign exchange loss	(120)	(147)
Gain or loss on derivatives	-	-
Exceptional items	-	-
	<u> </u>	<u> </u>

By order of the Board
Chua Siew Chuan
Company Secretary
17 December 2020