

**ECO WORLD DEVELOPMENT GROUP BERHAD**

(Company No. 17777-V)  
(Incorporated in Malaysia)

**SUMMARY OF KEY MATTERS DISCUSSED AT THE FORTY-FIFTH ANNUAL GENERAL MEETING (“45<sup>TH</sup> AGM”) OF THE COMPANY HELD AT ECOWORLD GALLERY @ ECO GRANDEUR, LOT 6232, PERSIARAN MOKHTAR DAHARI, ECO GRANDEUR, 42300 BANDAR PUNCAK ALAM, SELANGOR DARUL EHSAN, MALAYSIA ON WEDNESDAY, 27 MARCH 2019 AT 3:00 P.M.**

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The following questions were raised during the 45<sup>th</sup> AGM of the Company, which were duly responded by the President & Chief Executive Officer and the Chief Financial Officer of the Company: -

**Strategic and Financial Matters**

**Q1. The Company is a premium developer developing high-end properties like landed properties. The current local property market is soft due to, amongst others, stringent lending guidelines imposed by Bank Negara Malaysia. Currently, the strong demand is for affordable homes costing less than RM500,000.**

**Please explain the Company’s strategies on how it intends to capture the demand for this category of properties.**

As a developer, the Company does not focus only on the premium segment – it targets an optimal product mix comprising landed mass, upgrader, aspirational as well as luxury homes. Majority of the Company’s products are in the mass or upgrader segment priced below RM1.0 million and only 23% are in the luxury segment i.e. Eco Ardence and Eco Sanctuary. With regard to the Company’s premium brand positioning, this has been helped by the shift by many developers to focus on the affordable homes segment (i.e. homes costing less than RM500,000, which is the most competitive segment within the industry). This has left a relative vacuum for premium products which the Company successfully captured over the past 5 years.

It should also be noted that the Company is committed to launch affordable housing at its various townships in accordance with State guidelines. For instance, Eco Majestic is on track to deliver over 2,500 units of affordable housing by FY2018, out of which over 1,620 units have already been handed over. Furthermore, in order to assist customers to own their desired property across all product ranges, the Company launched the Home Ownership Programme with EcoWorld (“HOPE”) earlier this year offering two innovative home ownership solutions to help them become homeowners faster.

**Q2. As stated in the President’s Management Discussion & Analysis Statement on page 15 of the Annual Report, the Company has set a sales target of RM6.0 billion to be achieved in Malaysia in the years 2019 and 2020.**

**(A) Please outline the Company’s strategies on how it intends to achieve the sales target of RM6.0 billion in the present challenging operating environment.**

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The RM6 billion sales to be achieved over 2 financial years was set based on the Company's track record of achieving between RM3 billion to RM4 billion sales per annum over the past 5 financial years.

The Company's strategies to achieve the target set includes the following: -

- i. Promoting HOPE to assist its customers on their homeownership journey;
- ii. Introducing its Life@EcoWorld concepts to build upon the success the EcoWorld brand has achieved and expanding the Group's customer reach via the use of digital marketing and more targeted on-ground marketing strategies; and
- iii. Continuous innovation of its products.

**(B) What will be the sales target for FY2019?**

The Company has not fixed a sales target for FY2019 to allow for greater flexibility in attaining its 2-year sales target. This also takes into account the following: -

- i. 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. This contributed towards the high level of locked-in progress billings of RM6.435 billion as at 31 October 2018 which provides the Group with good near-term earnings visibility;
- ii. An expected temporary market-wide lull in buying activities following the announcement of the National Home Ownership Campaign (NHOC) 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. Since the NHOC was launched on 1 March 2019, the market has responded well and the Group has started seeing positive crowds return to its galleries to purchase properties.

**Q3. It was reported in the Chairman's Statement on page 11 of the Annual Report that the Company has locked-in progress billings of RM6.4 billion as at 31 October 2018.**

**What will be the expected revenue in FY2019 and FY2020 from the locked-in progress billings?**

Based on the locked-in progress billings of RM6.4 billion as at 31 October 2018, the Company expects approximately 50% of revenue to be generated during FY2019 and approximately 35% to be generated in FY2020.

However, the actual revenue to be recognised will depend on the percentage of completion achieved on site for the various developments during FY2019 and FY2020.

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**Q4. Eco Horizon Sdn. Bhd. (“EHSB”), a joint venture company, recorded a revenue of RM42.44 million in FY2018 as compared to a nil revenue in FY2017. However, it recorded a higher loss of RM5.09 million in FY2018 as compared with a loss of RM4.99 million in FY2017 as reported on pages 136 and 138 of the Annual Report.**

**(A) Please explain the reason for higher loss.**

EHSB became a joint venture (“JV”) entity of the Group in the fourth quarter of FY2017. In FY2017, whilst no revenue was recognised, expenses as a JV were also accounted for a period of only 3 months. In FY2018, revenue recognition commenced in the third quarter of FY2018. However, expenses under the JV were accounted for based on a full 12 months of operations. Hence, this resulted in a slightly higher loss of RM5.09 million in FY2018.

**(B) When is EHSB expected to report a profit for the group?**

EHSB is expected to report a profit to the Group in FY2019.

**Q5. Eco World International Berhad (“EcoWorld International”) property projects are mainly located in London, Great Britain.**

**(A) Please explain whether Brexit has any impact on the property projects of EcoWorld International.**

Whilst Brexit has undoubtedly slowed down the demand for higher-priced properties in London, it has opened up the following opportunities: -

- i. The entry into the EcoWorld London JV with Wilmott Dixon, which enabled EcoWorld International to penetrate the mid-priced local United Kingdom (“UK”) markets strongly with up to 12 potential sites to be developed in Greater London and South East of England; and
- ii. Increased interest from large global pension funds to acquire good quality UK residential assets – this enabled EcoWorld International to seal the £389 million build-to-rent (“BtR”) deal with Invesco Real Estate in FY2018.

**(B) What are the measures the Board will take to mitigate the impact of Brexit moving forward?**

EcoWorld International will focus on growing its BtR market where it has identified another 3 sites within its existing portfolio which are suitable for BtR developments for sale to institutional buyers.

In addition, EcoWorld International will also continue to sell the remaining units of its existing projects, which have all achieved a good following due to their strong unique selling points, to end-users and individual investors.

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**(C) Does the Company have any plans to expand the property business into other European countries?**

Currently, EcoWorld International does not have any plan to expand its business to other European countries as EcoWorld International intends to concentrate on its existing property development activities in the UK.

**Q6. The Company has introduced HOPE to help house buyers to own their dream house.**

**(A) Please outline the key features of HOPE.**

HOPE provides 2 solutions to assist customers to become homeowners i.e. "Help-to-Own" (H2O) via mortgage and "Stay-to-Own" (S2O) via partnership with Maybank HouzKEY.

**(B) How long is the campaign period for HOPE?**

The HOPE campaign will run until the end of June 2019.

**(C) What is the expected sales from HOPE?**

It is too early to gauge the expected sales. However, as mentioned above, the market response following the official launch of the NHOC has been highly positive.

**(D) How much sales have been generated from HOPE to-date?**

The Company will provide the relevant updates on sales along with its quarterly results announcements.

**(E) Does the Company intend to introduce other home ownership schemes to further spur the take-up rates of properties launched?**

Currently the Company is focusing on its HOPE campaign. However, management is always open to exploring more innovative options to help its customers become homeowners earlier.

**Q7. Kindly provide more information on the Bukit Bintang City Centre ("BBCC") JV project:**

**(A) What is the expected Gross Development Value ("GDV") of BBCC?**

The expected GDV for BBCC is approximately RM8.0 billion.

**(B) What is the sales to date in millions?**

The total sales for BBCC as at 31 October 2018 is RM1.45 billion.

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**Q8. Is the gearing ratio of the Company considered high?**

The gearing ratio of the Company is relatively high. However, that is consistent with the high growth trajectory of the Group in view of the 18 development projects which have been launched concurrently within a very short period of time.

Once these projects mature, with the cash flows generated from the sale of the developed properties and revenue growth recorded by the Group's JVs with reputable partners, it is envisaged that the gearing level will reduce in the next 2 to 3 years.

**Q9. Are the new policies introduced by the new Government, friendly to the housing development industry?**

The new policies introduced by the new Government would have impact to different industries to a certain extent. The general economic view is that Malaysia's fundamentals are still solid and its underlying growth remains stable. As a responsible corporate citizen, the Company is always ready to collaborate with the Government in executing the National Housing Policy and other programmes applicable to property developers. The Company has actively provided its views and inputs to the Government for the betterment of the housing industry, where required.

**Q10. Being a premium brand, what can the Company do in order to stabilise its market share price?**

The overall Malaysian share market was on a downtrend in 2018 with the property sector taking a bad hit. There is not much that the Company can do to control share market movements apart from continuing to ensure that the underlying business is well taken care of.

With 18 ongoing development projects in the pipeline and strong unbilled sales to be carried forward into FY2019, the Company believes that it will be able to deliver another year of commendable results which will hopefully be reflected in its share price going forward.

**Q11. Why the Company has not established and implemented an employee share option scheme ("ESOS")?**

Management is looking into establishing and implementing an ESOS scheme in order to recognise the contribution of the eligible employees whose services are valued and considered vital to the operations and continued growth of the Group. Nevertheless, a proposed ESOS will have impact on the earnings of the Group due to the accounting treatment on the fair value of the options granted under the ESOS.

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Management will also consider other forms of retention schemes or long-term incentive plans, which would enable the eligible employees to participate directly in the growth of the Company, as well as to align their interests with the long-term objectives of the Group to create sustainable value enhancement for all stakeholders.

**Q12. Why the volume of warrants issued by the Company is relatively low as compared to other property developers in general?**

The warrants were issued for free to the entitled shareholders pursuant to the renounceable rights issue on 31 March 2015 as part of the Company's fundraising plan, on the basis of 4 free warrants for every 5 rights shares subscribed for.

Based on the Statistics on Securities as at 17 January 2019 as stated in the Annual Report 2018, there is a total of 4,283 warrants holders holding 525,392,340 warrants, which can be exercised and converted into 525,392,340 new ordinary shares at any time within 7 years commencing from the date of issue of the warrants. This represents approximately 17% of the enlarged issued share capital of the Company which is not low in relative terms.

**Q13. Given that the warrants will expire in March 2022, is there any possibility of extending the expiry date to beyond March 2022?**

Based on current regulatory guidelines, the extension of the exercise period of warrants beyond its original tenure, is no longer allowed.

The Deed Poll constituting the warrants has provided a specific tenure for the warrants to be exercised and converted into ordinary shares. In accordance with the terms and conditions of the Deed Poll, warrants that are not exercised during the exercise period as stated in the Deed Poll, will lapse and cease to be valid.

**Q14. The inventories amounted to RM140.5 million as at 31 October 2018, were attributed to which projects and how would the Company resolve the high inventories level through its existing housing schemes or any other new schemes?**

The inventories amounting to RM140.5 million relates mainly to legacy unsold bungalow lands located in Kota Masai, Johor and it has been classified as inventories for many years. The bungalow lands could not be amalgamated as it has been subdivided into individual plots and some of the plots have been sold. This constrains its redevelopment and as such Management has decided to adopt the strategy of gradually disposing the land on a piecemeal basis to avoid incurring unnecessary cost.

In addition, completed industrial factories in Eco Business Park 1 has also contributed to the total amount of inventories, due to 40% of the units being reserved for bumiputera purchasers. The release of the bumiputera reserved units for sale to other purchasers is pending the approval from the relevant regulatory authority.

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**Q15. What is the progress of the GST refundable receivables?**

The outstanding GST refund claims are expected to be forthcoming in the first quarter of FY2019 and we understand that it will be refunded on a progressive basis.

**Q16. What is the accounting treatment for the Help2Own Programme (“H2O Programme”)?**

The deferred consideration under the H2O programme will be accounted for as trade receivables and collected over a period of 5 years upon vacant possession.

**Q17. Will there be a new note in the financial statements to differentiate the receivables from HOPE and H2O programme?**

Receivables from the H2O programme which are more than 12 months has been classified as non-current assets and shown in a separate note in the financial statement, i.e Note 11(a) in page 141 of the annual report. The HOPE programme was only implemented in FY2019 and a similar treatment will be applied.

**Q18. Update on the progress, launching and sales target of BBCC.**

Development works on the 19.4 acres site at BBCC has been progressing well. Amenities within this fully integrated development include the Mitsui Shopping Park Lalaport, Malaysia Grand Bazaar (“MGB”), Zepp Kuala Lumpur live concert hall by Sony Music (“Zepp Hall”), Canopy by Hilton and a strata office tower.

More than one-third of the construction and infrastructure works for Phase I has been completed. Phase 1 is made up of the Mitsui Shopping Park Lalaport, strata office tower, the Zepp Hall, as well as the two residential towers which are targeted to be completed in 2021.

As mentioned above, total sales for BBCC as at 31 October 2018 is RM1.45 billion which is a good result for a relatively new project especially in such challenging times. Apart from local purchasers, the project has also attracted foreign investors mainly from Japan, Korea and China.

The presence of the MGB offering 100,000 sq. ft. of customisable retail spaces designed to showcase a wide selection of Malaysian artisanal as well as authentic local delicacies further adds to the distinctive appeal of the project. To date, the MGB has generated positive response from local retailers who have expressed interest in signing up for the spaces on offer.

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**Q19. When will the Company plan to declare its first dividend?**

The Board intends to formulate a formal dividend policy to reward its shareholders by FY2019. However, any recommendation of dividend payout will have to take into consideration the Group's operating results, working capital requirements, growth and expansion plans and other factors considered relevant by the Board at the pertinent time.

**Q20. Did the undeveloped landbank of the Company include EWI's portion?**

The total undeveloped landbank of 4,827.2 acres are solely Malaysian lands held under the Company, its subsidiaries and joint ventures.

**Q21. How recurring is the fee-based income amounting to RM81.0 million as mentioned in page 7 of the Annual Report?**

Fee-based income is primarily known as "non-investment income" and includes project and development management fees, brand licencing fees and related services provided to the Group's JVs, i.e. BBCC, Eco Ardence, Eco Horizon and Eco Grandeur.

**Corporate Governance Matters**

**Q1. The proposed payment of Directors' Remuneration amounting to RM4.5 million is the payment for security fees for the Non-Independent Non-Executive Directors ("NINED") for a period of 17 months from 1 November 2018 and up to the date of the next AGM of the Company as stated in Ordinary Resolution 2 of the Agenda of the AGM.**

**(A) Please provide the names of the NINEDs who are entitled to the payment of the security fees.**

The NINEDs who are entitled to the payment of the security fees are Tan Sri Dato' Sri Liew Kee Sin ("**Tan Sri Liew**"), Tan Sri Abdul Rashid Bin Abdul Manaf ("**Tan Sri Abdul Rashid**") and Dato' Leong Kok Wah ("**Dato' Leong**").

**(B) Please provide a breakdown of the security fees and explain the reason for the high amount.**

**(i) Breakdown**

| Directors            | Amount of Security Fees (RM) | Percentage     |
|----------------------|------------------------------|----------------|
| Tan Sri Liew         | 4,149,032.00                 | 92.20 %        |
| Dato' Leong          | 210,699.00                   | 4.70%          |
| Tan Sri Abdul Rashid | 140,069.00                   | 3.10%          |
| <b>Total</b>         | <b>4,500,000.00</b>          | <b>100.00%</b> |



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**(ii) Reasons for high amount**

The high amount is largely due to the proposed security fees payable to Tan Sri Liew for security services provided to him and his family which includes the provision of personal body guards and security guards. This is to enable him to have the peace of mind to carry on his responsibilities without worrying about his family's safety.

The proposed security fees for a period of 17 months amounting to RM4.5 million is lower than the proposed amount of RM5.2 million approved by the shareholders at the previous 44<sup>th</sup> AGM held on 29 March 2018.

**Q2. What is the amount of the Directors' Fees and Directors' Remuneration (excluding Directors' Fees) respectively that the Board is seeking shareholders' approval for as mentioned in the Ordinary Resolutions 1 & 2 of the Agenda?**

The proposed amount for the Directors' fees for FY2018 amounted to RM2,119,080, which is slightly higher as compared to RM2,057,360 in FY2017.

The breakdown of the Directors' Remuneration is as follows: -

| <b><u>Directors' Remuneration</u></b> | <b><u>Amount (RM)</u></b> |
|---------------------------------------|---------------------------|
| <i>For FY2019</i>                     |                           |
| Meeting Allowance                     | 545,000                   |
| Leave Passage                         | <u>300,000</u>            |
|                                       | 845,000                   |
| <i>For FY2019 up to the next AGM</i>  |                           |
| Security services                     | <u>4,500,000</u>          |
| <b>Total</b>                          | <b><u>5,345,000</u></b>   |