<u>ECO WORLD DEVELOPMENT GROUP BERHAD</u>
[Registration No. 197401000725 (17777-V)]
(Incorporated in Malaysia)

SUMMARY OF KEY MATTERS DISCUSSED AT THE POSTPONED FORTY-SIXTH ANNUAL GENERAL MEETING ("46TH AGM") OF THE COMPANY HELD AS A FULLY VIRTUAL MEETING AT THE BROADCAST VENUE AT BUKIT BINTANG CITY CENTRE SALES GALLERY, NO. 2, JALAN HANG TUAH, 55100 KUALA LUMPUR, WILAYAH PERSEKUTUAN, MALAYSIA ON TUESDAY, 19 MAY 2020 AT 3:00 P.M.

The following questions were raised during the 46th AGM of the Company, which were duly responded by the Chairman ("**Tan Sri Chairman**") of the Meeting and the President & Chief Executive Officer of the Company:-

<u>Strategic Matters</u>

Q1. The Group recorded RM2.7 billion sales as compared to the RM6 billion combined two-year sales target for FY2019 and FY2020. (page 19 of the Annual Report)

What are the strategies the Group has taken to ensure that it will be able to achieve the RM6 billion combined two-year sales in FY2020?

The original sales target was premised on a mix of existing products and new launches. However, upon the implementation of the Movement Control Order ("MCO") since 18 March 2020 to contain the COVID-19 spread, the Group's business premises and galleries had to be closed and all Malaysians are required to stay at home. Every other business (apart from those providing essential services) as well as most of the Government departments were also closed during the MCO period.

In anticipation of inevitably delays in the conversion of the Group's booking pipeline into actual sales as well as approval on delay in launching of new parcels, on 26 March 2020, the Group had announced an interim revision to the Group's sales target to RM2.0 billion for the financial year ending 31 October 2020 ("**FY2020**"). The Group will revisit the target over the next few months when there is more clarity once businesses begin to reopen and everyone adjusts to the post-MCO new normal.

The Group had immediately activated its business continuity plans when the MCO was announced. For instance, staff continued to work from home and engaged actively with customers, end-financiers and solicitors throughout. Since the Group's galleries were permitted to be opened during the Conditional MCO with safety protocols strictly in place, the customers have been making appointments to view the properties and the Group proceeded with the signing of the sale and purchase agreements ("**SPAs**") for bookings made before and during the MCO.

The Company had also successfully introduced a new brand of homes called "Duduk" via digital and social media channels, which are priced from RM300,000 to RM450,000. This brand will further expand the Company's ability to cater to the needs of the M40 group (which covers 40% of Malaysia's population with an average household income of approximately RM6,275 per month). Duduk is to be built within matured EcoWorld townships and will enjoy the completed infrastructures and comprehensive amenities. The Company will roll out the new brand starting with Eco Sanctuary and Eco Ardence townships (in the Klang Valley) by the end of this year.

Q2. The Group has acquired 200 acres of land situated right next to Eco Botanic ("New Land") in Iskandar Puteri, to be developed into a mixed residential and commercial township. (page 19 of Annual Report)

(A) What is the Gross Development Value ("GDV") of the New Land?

The preliminary estimated GDV is approximately RM1.67 billion.

(B) Please outline the master plan of the New Land.

The New Land will be developed into a mixed residential and commercial township development. A large component of the development will comprise affordably priced landed homes suitable for first time home buyers and the M40 target group. This will complement the luxury offerings of the existing Eco Botanic Township and allow EcoWorld Malaysia to reach out to a wider targeted buyer segment. This development can also leverage on the excellent infrastructure and lifestyle amenities already in place at Eco Botanic City.

(C) When is the first phase of the project be launched?

The land acquisition is subject to certain conditions precedent to be fulfilled and the Company is in the midst of fulfilling these conditions precedent. Barring any unforeseen circumstances, the Company hopes to complete the land acquisition before the end of calendar year 2020 and thereafter, to launch the first phase of the project.

Q3. One of the last thing people will do is to buy a house during recession. With so many developers and housing projects out there, how does EcoWorld stand out from its peers and be the choice of buyers during this difficult time?

Our commitment to value create upfront, put in great infrastructure, high product quality and provide excellent services have stood the Company in good stead. The Company is happy to note that many residents have commended us during the MCO period on how much they loved living in their EcoWorld homes with beautiful and secured environment. They were also very appreciative of the consistent and thoughtful services provided by the frontline *police bantuan*, maintenance and landscaping teams. All these feedbacks from the existing purchasers will be highlighted in the Company's upcoming marketing campaigns.

Based on the engagement with potential purchasers during the MCO period, it was also noted that there are still groups of individuals who are considering buying properties. In fact, the prolonged MCO has increased the desire of many to own a good home with great internet connectivity so that they can work from home apart from being a place to rest, relax & raise their families. The Company believes that such individuals will continue to seize the opportunity considering amongst others, the current historical low interest rates that banks are charging.

The Company's move to expand strongly into the M40 group via the new "Duduk" brand and Eco Botanic 2 project will help sustain sales in near future.

Q4. Given the current outlook, what is the Management's view on the property market?

Despite the current challenging property market situation, our Management believes that there is still a fundamental demand for well positioned properties. Apart from the various strategies that the Company has adopted to ensure it has the right products to cater to the largest segment of the market, i.e. the M40 group, the Company had also continued to work on extending its marketing reach via digital and social media.

Currently, the average age for Malaysians is still relatively young, i.e. at approximately 30 years while the percentage of retirees and senior citizens account for 10% to 12% only. While market conditions remain challenging, there are still pockets of opportunities within the property market provided that the right strategies and right products are put across.

Q5. Does EcoWorld have any plans in future to expand its landbank?

As reported earlier, the Company currently has 4,454 acres of undeveloped land across 3 regions (Klang Valley, Iskandar Malaysia and Penang) in Malaysia. In December 2019, the Company had acquired an additional 200 acres of land in Iskandar Malaysia (Eco Botanic 2 project). At this juncture, the Company does not have any expansion plan and will be very selective should any future opportunity arise.

Financial Matters

Q1. The completed properties classified under inventories has increased by RM428.0 million or 253.1% from RM169.1 million in FY2018 to RM597.1 million in FY2019. (page 141 of Annual Report)

(A) Please provide the location of the completed properties.

(B) What is the breakdown of the completed properties by types i.e. landed, apartments, condominiums, commercial and industrial units and its values (in RM millions) as at FY2019?

At present, EcoWorld Malaysia has 18 ongoing projects, majority of which are large townships. Total completed properties have increased over the years mainly due to the increased number of projects that have been handed over. Over the past 6 years, the cumulative value of properties sold by the Group's subsidiaries (excluding JVs) was approximately RM12.9 billion. As such, the RM597 million worth of unsold completed properties (as at the FY2019) represents less than 5% of total properties sold.

Approximately 85% of the unsold properties are located in Johor and these are mainly Bumiputera reserved units pending release. As regards to product types, the breakdown by value is approximately 22% landed residential, 40% apartments, 10% commercial and 28% industrial.

(C) What are the measures taken to reduce the number of unsold completed properties? How successful were the measures?

The Company has been engaging closely with the Johor State Government and is pleased to note their commitment in expediting the Bumi Release process. Once released, the Company will be able to proceed to market the units to non-Bumiputera buyers.

Meanwhile the Company has also been actively promoting its projects to Bumiputera buyers through its #Senangjer campaign in year 2019 to target young Malaysians, especially Bumiputera purchasers, on the benefits and ease of owning an EcoWorld property. This campaign successfully contributed to the RM2.7 billion sales that the Company achieved in FY2019 and the growth of the Group's share of the Bumiputera market will help to progressively reduce the amount of unsold Bumiputera units going forward.

Q2. (A) Gross profit ("GP") margin of the Company has been shrinking over the years. Please explain this unfavourable trend.

(B) The average GP margin of around 20% over the years is below market average. Please explain why the GP margin is lower than many of the Company's competitors.

(C) What is the GP margin of the local JV projects in FY2019?

The Company is a relatively young company and its land costs are generally higher compared to other property developers who have lower historical land costs. Further, as a new developer, the Company needed to build infrastructure and amenities upfront in keeping with its value creation promise to its customers.

Whilst the above does have an impact on lowering the Company's current GP margin, it has helped the Company sell much better than its competitors.

Since it first emerged on the property scene, the Group has achieved RM19.0 billion sales over the last 6 years which is well above market norms. It has also contributed to the strong occupancy rates of the Company's projects which has led to the formation of vibrant EcoWorld communities all over the Klang Valley, Iskandar Malaysia and Penang. This sets a good foundation for the Group's future growth and the Company will reap the benefits from this early investment in the years ahead.

The average GP margin for the Company's local JV projects is also around 20% for the same reasons as mentioned above.

Q3. Does the Company foresee that its JVs will require further advances (total advances to them to-date totalled RM773 million) in the coming financial year? If so, how much will be needed? Are these JVs in a position to commence repaying some of the advances?

Most of the Company's JVs projects are still at its initial investment stage. However, given the good sales achievements from its JV projects, the Company does not anticipate that the additional funding required over the next few years will be very substantial.

Currently, the Company is not able to provide a precise estimate of the amount. Nevertheless, in the event that additional funding is required, the respective JV partners are also required to provide their portion of the funding which will reduce the financial burden on the Group.

At present, the JVs are yet to be in a position to repay advances. Any cash surplus will have to be reinvested into the respective projects as working capital until the JVs enter a more matured phase of development.

Dividend Matter

Q1. When can the shareholders expect dividend?

We would like to thank all shareholders for their continuous support and patience with the Company as we are only a 6-years old developer seeking to prioritise growth during these early years of our corporate existence.

The Company was hoping to declare the first dividend for the FY2020. However, in the current crisis and changing environment due to COVID-19 pandemic, these plans may need to be revisited and a final decision will only be made upon the finalisation of the full year audited accounts for FY2020.

Furthermore, as all shareholders are aware, in the market turmoil caused by COVID-19, the Company's share price has tumbled well below fundamental values. Accordingly, it may be a better move for the Company to buy back shares from the open market to be distributed to shareholders as share dividends subsequently. Subject to the necessary approval being received from shareholders at the 46th AGM on the share buy-back proposal, the Company will continue to monitor the situation before determining the best course of action.

Operation Matters

Q1. The Group has deployed EcoWorld X which has spearheaded robotic process automation ("RPA") to eliminate repetitive and tedious backroom task. (page 11 of Annual Report)

What is the targeted headcount reduction and cost saving from the implementation of RPA?

Through the implementation of robotic process automation, some of the repetitive and tedious backroom tasks that are previously handled by the Group's sales administration team have now been automated. No headcount is reduced as a result of this automation. Instead, staff have been redeployed to focus on serving customers and to undertake higher skilled jobs e.g. following up with customers, end financiers and solicitors to expedite the signing of the SPAs. Such transition into higher skilled work is beneficial both for the Company and the individual staff's personal career development.

As the implementation of RPA is still in its initial stages, it is too preliminary to disclose the cost saving. However, it has enabled the Company to further streamline its operations and it is also expected to reduce operating costs in future.

Q2. Why are the launches in Batu Kawan slow when we have about 375 acres of land there?

There were 2 parcels of lands in Batu Kawan. The first parcel of 300 acres, namely Eco Horizon was only launched towards the end of 2017 and as at 31 October 2019, the Company had secured RM553.0 million of sales. This is quite a strong performance for a single project on the Penang mainland which is not as populated or matured as the Klang Valley or Iskandar Malaysia.

The second parcel of 75 acres, namely Eco Sun will only be launched at a later date. Instead of rushing to develop the land, it is important for the Company to launch the second parcel carefully in order to suit the market demand.

The Company has planned to develop the entire 375 acres of land over the next 10 to 15 years. This is in order to optimise value of the land as the surrounding area continues to mature and activity levels further pick-up at the industrial areas, Ikea, the Penang Design Village and various colleges which are located right next to Eco Horizon.

Impact on COVID-19

Q1. Will the Group still be able to deliver all of its projects on time despite the MCO? If not, please state the estimated damages (such as late delivery charges etc) the Group will have to bear.

Offices and sales galleries have resumed operations since 4 May 2020 with safety protocols in place which all employees, consultants and contractors will need to comply with. The Company has been working very closely with the relevant authorities and contractors to undertake the necessary safety compliances at the various construction sites. Most of the project sites have commenced work and plans are in place to catch up on lost time. In this regard, it is anticipated that most of the projects will be able to be delivered on time.

In addition, the Real Estate & Housing Developers' Association (REHDA) Malaysia is actively engaging the Housing Ministry to come up with an industry wide solution which is fair to both developers and property purchasers to cover any potential delays caused by COVID-19 disruptions. As such, the Group is not expecting any material exposure to late delivery charges arising from the MCO at this stage.

Q2. What is the cost control measure that EcoWorld Group is taking to sail through this COVID-19 challenges?

The Company had implemented various initiatives to face the COVID-19 challenges.

Stringent cost control across every department has been implemented Group-wide and continuous monitoring is in place to look for further areas of cost savings & work optimisation to reduce costs.

The Board had also voluntarily reduced the Directors' Fees payable and all the Executive Directors and Senior Management have similarly agreed to reduce their salaries in order to help the Group control operating costs. In addition, Management has been actively re-deploying staff to take up additional tasks in order to enhance productivity. The Company's operations have also been streamlined via digitalisation of processes.

Q3. Was there any decrease in EWI's sales during the Covid-19 pandemic? Will any cancellation of sales result in drop of future revenue?

Similar with Malaysia, the United Kingdom has also implemented steps to curb the spread of COVID-19. During this period, physical marketing activities had to be postponed which will impact the open market sales side of the business.

However, the British Government had on 10 May 2020 announced some relaxation measures. With physical social distancing and all necessary safety protocols being observed, prospective purchasers can now begin to revisit sales galleries and sales activities are expected to normalise soon. The Management believes that there has not been any abnormal sales cancellation throughout the lockdown period and that house-buying interest will begin to pick up again.

The built-to-rent segment of the business, as mentioned earlier during the presentation, has also been progressing well and EWI hopes to close one major deal with an institutional investor this year.

Share Buy-Back Matter

Q1. The share price of EcoWorld had dropped to a low level. Is there any plan for the Company to repurchase the shares via the open market?

As mentioned earlier, the Company will be seeking shareholders' approval at the 46th AGM to allow the Company to buy-back shares from the open market. Upon approval, the share buy-back mandate will be valid for one year. The Company will also monitor the situation diligently before undertaking any share buy-back.

Institutional Investor Matter

Q1. Employees' Provident Fund ("EPF"), the JV partner of the Group, has lately been aggressively disposing EcoWorld's shares at current low share price level and this action seemed to portray its lack of confidence towards the Group's prospect. Please comment.

Whilst the EPF's current shareholdings had dropped below 5% and it has ceased to be a substantial shareholder, it is still a relatively large shareholder of the Company and remains as a very supportive JV partner. In this regard, the Company believes that the recent disposal of shares by EPF should not be a cause for concern.

Change in Board Composition

Q1. The departure of Dato' Voon Tin Yow ("Dato' Voon") came as a surprise to the shareholders as EcoWorld always has strong and loyal top management team since SP Setia. Tell us more about the departure of Dato' Voon.

The Board truly appreciates Dato' Voon's contributions which have helped the Group to groom a new generation of leaders who are now capable of taking EcoWorld to another level. Tan Sri Chairman said that although Dato Voon will be missed, the Board is also happy for him that such a good opportunity has come his way at this stage of his career and the Group wishes him all the best.

EcoWorld has never been about any single individual but the team as a whole and the Group is committed to continue to work harder to differentiate itself from its competitors. Tan Sri Chairman expressed his confidence that Team EcoWorld can do it and the efforts put in will make the Group better and stronger in the years ahead.