

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

Interim Financial Report
30 April 2020

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

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 APRIL 2020
(The figures have not been audited)

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 APRIL 2020	30 APRIL 2019	30 APRIL 2020	30 APRIL 2019
	RM'000	RM'000	RM'000	RM'000
Revenue	345,403	543,181	883,348	1,034,411
Cost of sales	(276,700)	(418,801)	(722,324)	(818,475)
Gross profit	68,703	124,380	161,024	215,936
Other income	14,863	14,047	28,992	26,566
Selling and marketing expenses	(6,208)	(14,307)	(15,029)	(22,557)
Administrative expenses	(38,795)	(57,113)	(95,442)	(111,693)
Finance costs	(24,478)	(24,914)	(50,990)	(50,283)
Share of results in joint ventures, net of tax	16,683	16,342	42,727	40,363
Share of results in an associate, net of tax	(401)	(2,479)	(563)	(2,135)
Profit before tax	30,367	55,956	70,719	96,197
Income tax expense	(8,974)	(14,784)	(15,811)	(24,708)
Profit net of tax	21,393	41,172	54,908	71,489
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	(101)	(6)	(1)	(5)
Share of other comprehensive income/(loss) of a joint venture	2,359	(2,118)	(6,532)	1,057
Total comprehensive income for the period	23,651	39,048	48,375	72,541
Profit net of tax attributable to:				
Owners of the Company	21,393	41,172	54,908	71,489
Non-controlling interests	-	-	-	-
	21,393	41,172	54,908	71,489
Total comprehensive income attributable to:				
Owners of the Company	23,651	39,048	48,375	72,541
Non-controlling interests	-	-	-	-
	23,651	39,048	48,375	72,541
Earnings per share attributable to owners of the Company:				
Basic earnings per share (sen)	0.73	1.40	1.86	2.43
Diluted earnings per share (sen) *	0.73	1.40	1.86	2.43

* 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 30 APRIL 2020

	As At 30 APRIL 2020 UNAUDITED RM'000	As At 31 OCTOBER 2019 AUDITED RM'000
ASSETS		
Non-current assets		
Property, plant & equipment	231,316	229,622
Investment properties	19,511	19,510
Right-of-use assets	11,634	-
Inventories - land held for property development	4,034,367	3,965,190
Investment in an associate	54,206	54,769
Investment in joint ventures	1,217,063	1,208,494
Trade receivables	113,953	112,171
Lease receivables	5,090	-
Amount due from joint ventures	850,776	760,099
Deferred tax assets	107,151	99,088
	<u>6,645,067</u>	<u>6,448,943</u>
Current assets		
Inventories - property under development	1,732,090	2,062,916
Inventories - completed properties	651,650	597,090
Trade and other receivables	575,186	870,224
Lease receivables	693	-
Contract assets	56,638	68,545
Current tax assets	37,653	40,197
Deposits	161,251	221,973
Cash and bank balances	220,753	378,566
	<u>3,435,914</u>	<u>4,239,511</u>
TOTAL ASSETS	<u>10,080,981</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	(24,056)	(15,783)
Cash flow hedge reserve	1,197	(543)
Retained earnings	799,990	745,082
Total equity	<u>4,586,391</u>	<u>4,538,016</u>
Non-current liabilities		
Long term borrowings	1,500,041	1,803,825
Lease liabilities	15,406	226
Deferred tax liabilities	36,381	31,748
	<u>1,551,828</u>	<u>1,835,799</u>
Current liabilities		
Trade and other payables	991,921	1,162,911
Contract liabilities	941,095	1,173,894
Bank overdrafts	27,099	26,330
Short term borrowings	1,979,447	1,949,253
Lease liabilities	2,429	81
Current tax liabilities	771	2,170
	<u>3,942,762</u>	<u>4,314,639</u>
Total liabilities	<u>5,494,590</u>	<u>6,150,438</u>
TOTAL EQUITY AND LIABILITIES	<u>10,080,981</u>	<u>10,688,454</u>
Net Assets Per Share Attributable to Owners of the Company (RM)	<u>1.56</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))
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 APRIL 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 period	-	-	-	-	54,908	54,908
Other comprehensive (loss)/income	-	-	(8,273)	1,740	-	(6,533)
At 30 April 2020	3,614,865	194,395	(24,056)	1,197	799,990	4,586,391
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	-	-	-	-	71,489	71,489
Other comprehensive income/(loss)	-	-	1,537	(485)	-	1,052
At 30 April 2019	3,614,865	194,395	(21,798)	(485)	613,149	4,400,126

(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 30 APRIL 2020

(The figures have not been audited)

	6 MONTHS ENDED	
	30 APRIL 2020	30 APRIL 2019
	RM'000	RM'000
Operating activities		
Profit before tax	70,719	96,197
Adjustments for :		
Non-cash items	(28,389)	(20,400)
Non-operating items	26,583	28,382
Operating cash flows before changes in working capital	68,913	104,179
Changes in inventories - property under development	204,667	66,714
Changes in inventories- completed properties	151,559	18,009
Changes in contract assets/contract liabilities	(220,892)	1,028
Changes in receivables	311,637	143,253
Changes in payables	(164,780)	(68,334)
Cash flows generated from operations	351,104	264,849
Interest received	3,374	5,019
Interest paid	(87,793)	(93,438)
Net income taxes paid	(19,599)	(35,229)
Net cash flows generated from operating activities	247,086	141,201
Investing activities		
Additions to inventories - land held for property development	(97,677)	(159,792)
Purchase of property, plant and equipment and investment properties	(12,429)	(17,327)
Proceeds from disposal of property, plant and equipment	3	3
Deposit paid for acquisition of land	(3,049)	-
Advances to joint ventures	(108,700)	(47,728)
Repayment of interest by a joint venture	45,802	-
Withdrawal/(Placement) of redemption and debt service reserve accounts	66,717	(19,894)
Other investments	2,444	2,347
Net cash flows used in investing activities	(106,889)	(242,391)
Financing activities		
Drawdown of bank borrowings	117,467	344,628
Repayment of bank borrowings and lease liabilities	(396,521)	(350,545)
Interest paid	(13,725)	(17,172)
Net cash flows used in financing activities	(292,779)	(23,089)
Net increase in cash and cash equivalents	(152,582)	(124,279)
Effect of exchange rate changes	(6)	3
Cash and cash equivalents at 1 November 2019 / 2018	386,173	372,675
Cash and cash equivalents at 30 April 2020 / 2019	233,585	248,399
Cash and cash equivalents comprise the following:		
Deposits	161,251	145,186
Cash and bank balances	220,753	269,397
Bank overdrafts	(27,099)	(27,876)
	354,905	386,707
Less: Deposit pledged, Debt Service Reserve, Redemption Accounts and Escrow Accounts	(121,320)	(138,308)
	233,585	248,399

(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 as follows:

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, the operating lease payments previously included in operating cash flows under MFRS 117 are separately presented as principal portion within financing cash flows and interest payment within operating cash flows under MFRS 16.

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 6 months ended 30 April 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 Prospects for the Current Financial Year, there were no unusual items affecting assets, liabilities, equity, net income or cash flows during the 6 months ended 30 April 2020.

4. Changes in Estimates

There were no material changes in estimates for the 6 months ended 30 April 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 6 months ended 30 April 2020.

6. Dividends Paid

There was no payment of dividend during the 6 months ended 30 April 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 30 April 2020 till 18 June 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 6 months ended 30 April 2020 except for the striking off of Focal Aims Resort (M) Sdn Bhd and Focal Aims Development Sdn Bhd, which were subsidiaries of the Group with effect from 17 February 2020.

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 30 April 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:-

	6 MONTHS ENDED	
	30/04/2020	30/04/2019
	RM'000	RM'000
Location		
Klang Valley	452,030	507,567
Iskandar Malaysia	392,120	465,783
Penang	39,198	61,061
	<u>883,348</u>	<u>1,034,411</u>

13. Commitments

	As at 30/04/2020 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	27,922
Commitment to purchase development land	301,871
Commitment to acquire property, plant and equipment	6,409
Commitment to fund development costs of joint ventures	<u>158,369</u>

14. Significant Related Party Transactions

	6 MONTHS ENDED 30/04/2020 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	64
- Stay2Own rental received from directors of subsidiary companies	<u>45</u>
(ii) Transactions with joint ventures	
- Advances given	108,700
- Interest received and receivable	27,780
- Development management fees received and receivable	31,474
- Other resources fees received and receivable	11,111
- Brand licensing fees received and receivable	2,328
- Commission received and receivable	165
- Rental received and receivable	357
- Support service fees received and receivable	<u>70</u>

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

1. Review of Group Performance

	3 MONTHS ENDED			6 MONTHS ENDED		
	30/04/2020	30/04/2019	Changes	30/04/2020	30/04/2019	Changes
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	345,403	543,181	(197,778)	883,348	1,034,411	(151,063)
Gross profit	68,703	124,380	(55,677)	161,024	215,936	(54,912)
Share of results of joint ventures						
- Malaysia	12,178	19,755	(7,577)	34,730	37,631	(2,901)
- International	4,505	(3,413)	7,918	7,997	2,732	5,265
Profit before interest and tax	54,845	80,870	(26,025)	121,709	146,480	(24,771)
Profit before tax (PBT)	30,367	55,956	(25,589)	70,719	96,197	(25,478)
Profit after tax	21,393	41,172	(19,779)	54,908	71,489	(16,581)
Profit attributable to owners of the Company	21,393	41,172	(19,779)	54,908	71,489	(16,581)

(a) 2Q 2020 vs 2Q 2019

The main projects which contributed to revenue and gross profit in 2Q 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* in Penang.

The implementation of the Movement Control Order (MCO) since 18 March 2020 by the Government to break the chain of infection of the Covid-19 virus in Malaysia delayed construction progress, which adversely affected the revenue and gross profit recognition during the quarter.

With that, the Group's revenue decreased by 36.4%, whilst gross profit reduced accordingly by 44.8% in 2Q 2020 as compared to 2Q 2019.

Similarly, the Group's share of the results of its Malaysian joint-ventures, namely, *Eco Grandeur*, *Eco Business Park V*, *Eco Horizon*, *Eco Ardence* and *Bukit Bintang City Centre (BBCC)*, decreased by 38.4% in 2Q 2020 compared to 2Q 2019. In total, the Malaysian joint ventures recorded revenue of RM217.5 million in 2Q 2020, of which the Group's effective share (proforma and unconsolidated) amounted to RM109.2 million.

However, the share of results from EcoWorld International Berhad (EcoWorld International) was higher in 2Q 2020 as compared to 2Q 2019 due to the completion and handover of higher numbers of units sold to customers, as well as progressive revenue and profit recognition from their Built-to-Rent developments.

Overall, profit after tax for 2Q 2020 reduced by 48.0% as compared to 2Q 2019.

1. Review of Group Performance (continued)

(b) 2Q YTD 2020 vs 2Q YTD 2019

The Group's subsidiaries recorded lower revenue and gross profit in 2Q YTD 2020 because of the above mentioned reasons.

Revenues recorded by the Malaysian joint-ventures were also lower for the same reasons. In this regard, the *Eco Grandeur*, *Eco Horizon*, *Eco Ardence* and *Bukit Bintang City Centre (BBCC)* projects collectively recorded RM546.6 million in revenue of which the Group's effective share, based on its equity stakes in the respective joint-ventures, amounted to RM282.2 million.

Overall, profit after tax for 2Q YTD 2020 reduced by 23.2% as compared to 2Q YTD 2019.

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

	3 MONTHS ENDED		Changes RM'000
	30/04/2020 RM'000	31/01/2020 RM'000	
Revenue	345,403	537,945	(192,542)
Gross profit	68,703	92,321	(23,618)
Share of results of joint ventures			
- Malaysia	12,178	22,552	(10,374)
- International	4,505	3,492	1,013
Profit before interest and tax	54,845	66,864	(12,019)
Profit before tax (PBT)	30,367	40,352	(9,985)
Profit after tax	21,393	33,515	(12,122)
Profit attributable to owners of the Company	21,393	33,515	(12,122)

2Q 2020 revenue and gross profits were lower than 1Q 2020 due to the closure of construction sites during the MCO.

3. Prospects for the Current Financial Year

Location of projects	1 November 2019 to 15 June 2020				Cumulative sales ^{1,2,4} RM'mil	As at 15 June 2020 Future revenue ^{3,4} RM'mil
	No. of launched projects ²	Units launched ²	Units sold ^{1,2}	Sales value ² RM'mil		
Klang Valley	8	340	445	673	12,173	2,241
Iskandar Malaysia	7	791	716	273	6,581	932
Penang	3	-	51	29	1,102	204
Malaysia	18	1,131	1,212	975	19,856	3,377

Location of projects	1 November 2019 to 15 June 2020				Cumulative sales ^{1,2} RM'mil	As at 15 June 2020 Future revenue ³ RM'mil
	Land bank Acres	Units launched ²	Units sold ^{1,2}	Sales value ² RM'mil		
United Kingdom	50.7	-	179	787	11,406	900
Australia	2.4	-	5	21	1,291	347
Overseas	53.1	-	184	808	12,697	1,247

Total future revenue attributable to EcoWorld Malaysia

4,624

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 reflect the effects of the termination of the proposed JV with the PowerChina Group (see page 12 for details)

The Group secured RM975 million in sales for the period from 1 November 2019 to 15 June 2020 notwithstanding a quiet 2Q 2020 during which all of the Group's sales galleries were closed from 18 March to 3 May 2020 due to the MCO. An analysis of the sales achieved by quarter is set out below:

	1Q 2020	2Q 2020	3Q 2020 (up to 15 June 2020)	Total up to 15 June 2020
Sales value (RM'mil)	305	28	642	975

In addition to the above secured sales, the Group still has a bookings pipeline of approximately RM600 million as at 15 June 2020. The significant rebound in sales and bookings recorded during the 6 weeks since the reopening of the Group's sales galleries on 4 May 2020, is attributable to:

- Highly effective engagement of our sales teams with potential purchasers via digital and social media platforms throughout the MCO and across the Group's projects in the Klang Valley, Iskandar Malaysia and Penang;
- Rapid sales conversion upon re-opening of the sales galleries with safety protocols in place. This enabled appointments with customers to sign sales and purchase agreements and to visit physical project sites prior to confirming their purchase; and
- A noticeable uptick in buying interest following the announcement of the PENJANA incentives for the property sector on 5 June 2020 which re-introduced the Home Ownership Campaign (HOC) and provided exemptions of stamp duty and real property gains tax subject to qualifying conditions.

3. Prospects for the Current Financial Year (continued)

The announcement on 10 June 2020 of an agreement between BBCC Development Sdn Bhd (BBCCD) and Mitsui Fudosan (Asia) Malaysia Sdn Bhd (MFAM) to form a joint-venture company (JV Co) to purchase a serviced residence block in the BBCC development for RM242 million also contributed to the sales results up to 15 June 2020.

MFAM will hold 51% and BBCCD 49% in the JVCo, which will manage and operate the property, including granting of tenancies of units within the property, targeted mainly at Japanese expatriates. This is a particularly important deal as it signifies the continued confidence, despite the challenging times, of one of the largest Japanese conglomerates both in the BBCC project and in Malaysia's long-term growth prospects as well as the attractiveness of our country as an emerging global destination for real estate investment.

The global disruption caused by the Covid-19 pandemic has one unfortunate consequence for the Group. It is in relation to the proposed JV with the PowerChina Group to jointly develop 117 acres of land at EcoBusiness Park (EBP) V which was announced in FY2019.

PowerChina was not able to obtain the Chinese Outbound Investment Approval for its investment into the project. Accordingly, the parties are in the midst of discussion to mutually terminate the joint venture agreement and the sale and purchase agreement with the JVCo for the project land. Following the termination, the 117 acres will be developed by the Group directly under Paragon Pinnacle Sdn Bhd as part of its overall EBP V development. Management believes the project will continue to do well based on the good response received from industrialists to date which include industrialists from China. Supported by the attractive incentives under PENJANA to attract FDIs, particularly those in the manufacturing sector, the Group will continue to actively engage with the potential investors met during the pre-launch campaigns last year.

For the rest of 2020, the Group expects to be able to sustain the sales momentum due to the following:

- Increased awareness amongst the house-buying public of the need for a good home. The prolonged MCO has led to a greater appreciation for EcoWorld's well designed homes within a secured environment with comprehensive amenities and services to meet the lifestyle needs of every generation in the post-Covid 19 new normal;
- Continued impetus from the HOC incentives, the removal of the 70% margin of financing limit for the 3rd housing loan onwards for properties valued at RM600,000 and above coupled with historic low mortgage rates making it the best time for Malaysians to enter the property market, upgrade to their desired home or invest in good properties as a hedge against inflation;
- Targeted launch of Duduk in 4Q 2020 offering a fresh perspective on vertical township living with two new projects, Huni @ EcoArdence and Se.Ruang @ EcoSanctuary comprising 1,000 sq ft semi-furnished apartments priced below RM400,000 to cater to the needs of the M40 group.

In addition, the Group is working on securing the necessary approvals to launch Eco Botanic 2 in Iskandar Malaysia that will offer landed homes priced between RM500,000 and RM800,000 which are ideal for young families within the M40 group. This project is slated for launch either in 4Q 2020 or 1Q 2021.

Registrations of interest for both Duduk and Eco Botanic 2 have been extremely encouraging. Many are keen to purchase a home at these very attractive prices given that they stand to benefit from the extensive infrastructure and amenities available within the matured EcoWorld townships where the projects are situated.

3. Prospects for the Current Financial Year (continued)

On the construction front, the Group's detailed SOPs and safety protocols to enable the re-opening of project sites have been in place since the end of April 2020. However, the Malaysian Government's requirement for all construction workers to be tested for Covid-19 delayed the resumption of physical works. This resulted in approximately 3 months of site inactivity from 18 March 2020 which affected the timing of revenue and profit recognition in 2Q 2020.

Works at all construction sites only fully resumed in mid-June 2020. Accordingly, the Group's financial results for the first half of 3Q 2020 will also be impacted. The Group expects revenue and profit recognition for the second half of 3Q and for 4Q 2020 to be back on track. As at 15 June 2020, the Group has future revenue of approximately RM3.4 billion from its Malaysian projects that can be progressively translated into earnings.

In the UK and Australia, construction sites were permitted to continue operating in 2Q 2020 but at substantially reduced activity levels to incorporate strict Covid-19 safety protocols and preventive measures. This enabled EcoWorld International's maiden project in Australia, West Village, to commence handover in early June 2020.

As regards its other projects, following 2 to 3 months slowdown in site progress, works fully resumed in June 2020. Accordingly, EcoWorld International expects to start handing over units in Warden, London and Yarra One in Melbourne beginning in the fourth quarter of FY2020 and continuing through to the first quarter of FY2021. As such, a significant portion of the Group's share of EcoWorld International's future revenue amounting to approximately RM1.25 billion as at 15 June 2020 is still expected to be translated into earnings within FY2020 and FY2021.

EcoWorld International's sales also gained momentum despite various Covid-19 measures imposed in both the UK and Australia. For the period from 1 November 2019 to 15 June 2020, sales achieved totalled RM808 million, comprising RM314 million in 1Q 2020 and RM494 million since the end of 1Q 2020. Its mid-market projects under EcoWorld London have enjoyed resilient local demand throughout and international demand is also on the rise for its UK projects with recent strong buying from Hong Kong as well as growing interest from other global markets.

In addition, EcoWorld International has experienced increased institutional interest for its Build-to-Rent (BtR) properties in the UK. It is targeting to close a BtR deal within the current financial year – combined with the expected improvement in the Open Market Sale side of its business, this should contribute towards the steady growth of EcoWorld International's future revenue and the sustainability of its earnings going forward.

As at 15 June 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	2,465.6
Iskandar Malaysia	7	2,926.1	1,506.4
Penang	5	465.0	328.2
The Group	20	8,126.4	4,300.2

4. Variance of Actual Profit from Forecast Profit

There were no profit forecast published as at 30 April 2020.

5. Income Tax

Income Tax comprises:-

	3 MONTHS ENDED		6 MONTHS ENDED	
	30/04/2020	30/04/2019	30/04/2020	30/04/2019
	RM'000	RM'000	RM'000	RM'000
Current tax				
- for current quarter	7,653	11,430	22,233	24,304
- in respect of prior years	-	123	(1,656)	742
Deferred tax				
- for current quarter	1,322	3,305	(3,990)	(716)
- in respect of prior years	(1)	(74)	(776)	378
	<u>8,974</u>	<u>14,784</u>	<u>15,811</u>	<u>24,708</u>

The Group's effective tax rate for the 2Q 2020 and 2Q YTD 2020 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 18 June 2020, the latest practicable date which is not earlier than 7 days from the date of issue of this interim financial report:-

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 Development Agreement shall become unconditional on the date when the SPA becomes unconditional (i.e. when all conditions precedent in the SPA are fulfilled within the Approval Period of the SPA).

7. Group Borrowings and Debt Securities

Total group borrowings and debt securities as at 30 April 2020 and 31 October 2019 were as follows:-

	As at 30 April 2020		
	Long term RM'000	Short term RM'000	Total borrowings RM'000
Secured			
Revolving credits	118,953	635,707	754,660
Term loans	570,900	404,843	975,743
Bridging loans	221,960	84,793	306,753
Medium term notes	89,672	99,686	189,358
Hire purchase (included in lease liabilities)	183	84	267
	<u>1,001,668</u>	<u>1,225,113</u>	<u>2,226,781</u>
Unsecured			
Revolving credits	-	754,418	754,418
Medium term notes	498,556	-	498,556
Overdraft	-	27,099	27,099
	<u>498,556</u>	<u>781,517</u>	<u>1,280,073</u>
	<u>1,500,224</u>	<u>2,006,630</u>	<u>3,506,854</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 30 April 2020	As at 31 October 2019
	%	%
Floating interest rate	4.97	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 6 months ended 30 April 2020.

8. Material Litigation

The Group was not engaged in any material litigation as at 18 June 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

No dividend has been declared or paid in respect of the 6 months ended 30 April 2020.

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		6 MONTHS ENDED	
	30/04/2020	30/04/2019	30/04/2020	30/04/2019
Profit for the period attributable to owners of the Company (RM'000)	<u>21,393</u>	<u>41,172</u>	<u>54,908</u>	<u>71,489</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>0.73</u>	<u>1.40</u>	<u>1.86</u>	<u>2.43</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.

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		6 MONTHS ENDED	
	30/04/2020	30/04/2019	30/04/2020	30/04/2019
Profit for the period attributable to owners of the Company (RM'000)	<u>21,393</u>	<u>41,172</u>	<u>54,908</u>	<u>71,489</u>
Weighted average number of ordinary shares for basic Earnings Per Ordinary Share ('000)	<u>2,944,369</u>	<u>2,944,369</u>	<u>2,944,369</u>	<u>2,944,369</u>
Effect of potential exercise of Warrants ('000)	<u>#</u>	<u>#</u>	<u>#</u>	<u>#</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>
Diluted Earnings Per Ordinary Share (sen) *	<u>0.73</u>	<u>1.40</u>	<u>1.86</u>	<u>2.43</u>

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

	6 MONTHS ENDED
	30/04/2020
	RM'000
i) Advances provided to:	
- BBCC Development Sdn Bhd	2,700
- Paragon Pinnacle Sdn Bhd (“Paragon Pinnacle”)	106,000
	=====
ii) Guarantees given by the Company to secure the bank borrowings of:	
- Paragon Pinnacle	49,900
- Eco Horizon Sdn Bhd (“Eco Horizon”)	32,069
	=====
	As at 30/04/2020
	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	436,917
- Eco Horizon	349,545
	=====

There has been no material impact on the earnings and net tangible assets of the Group for the 6 months ended 30 April 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	6 MONTHS
	ENDED	ENDED
	30/04/2020	30/04/2020
	RM'000	RM'000
Interest income	11,659	22,909
Other income including investment income	3,204	6,083
Interest expense	(24,478)	(50,990)
Depreciation and amortisation	(5,851)	(11,882)
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)	125	(48)
Gain or loss on derivatives	-	-
Exceptional items	-	-
	=====	=====

By order of the Board
Chua Siew Chuan
Company Secretary
25 June 2020