



## **ECO WORLD INTERNATIONAL BERHAD**

Registration No. 201301030020 (1059850-A)

SUMMARY OF KEY MATTERS DISCUSSED AT THE POSTPONED SIXTH ANNUAL GENERAL MEETING (“6<sup>th</sup> AGM”) OF ECO WORLD INTERNATIONAL BERHAD (“Company” OR “EcoWorld International”) HELD 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 10.30 A.M.

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The following questions were raised during the 6<sup>th</sup> AGM of the Company which were duly responded by the President & Chief Executive Officer (“CEO”):

### **Dividend**

Q1: *When will the Company declare its maiden dividend?*

The previous announcement pertaining to the declaration of its maiden dividend in financial year ending 31 October 2020 (“FY2020”) remains. However, the declaration would largely depend on the impact of Covid-19 crisis on the Group. The Company will make a final decision upon finalisation of the audited financial statements for FY2020.

### **Share Price**

Q2: *What are the steps/measures taken by the Company with the share price declining for more than 60% since its initial public offering?*

The share price movement is driven by the stock market sentiment and share price performance may decouple from the fundamentals in the short term.

The fundamentals of the Group are dependent on the future profit realisation of the effective unbilled sales of RM4.75 billion as at 31 January 2020. The timing of recognition of these future profits would largely depend on the recovery of the global economy and the effects of the Covid-19 pandemic.

### **Impact of Covid-19/Brexit**

Q3: *What is the impact of Covid-19 on the construction progress and action plans of the Group in overcoming the impact?*

For EcoWorld London, all the construction sites except for Barking Wharf have been closed and marketing offices have also been closed progressively since 25 March 2020. The Management is currently developing Standard Operating Procedures and taking Health, Safety & Environment into consideration in preparation for the re-opening of

the sites progressively in May 2020. As such, the progress of the construction sites would not be operating at the usual capacity as pre Covid-19.

Meanwhile, construction sites of EcoWorld-Ballymore i.e. London City Island (“**LCI**”), Embassy Gardens and Wardian remained open by adopting additional measures on social distancing requirements as recommended by Public Health England. The construction of Wardian has fallen behind schedule due to the site constraints and additional measures in place due to the Covid-19 pandemic. The timing of delivery of Wardian is likely to be delayed if the United Kingdom (“**UK**”) Government decides to extend the lockdown period.

In Australia, the construction sites remained open by practicing social distancing. The Company expects to handover West Village in the coming months and Management is working closely with purchasers for the final settlement as the restrictions on travels may pose challenges for some purchasers to complete the loan process on time. Meanwhile, construction in Yarra One is progressing and is in line with the targeted delivery schedule. Management is working closely with the contractors to ensure the targeted delivery date is met.

**Q4:** *Please share the impact of Covid-19 and Brexit to the sales in UK.*

Covid-19 would have a severe impact on the sales as physical marketing activities were not able to be conducted. However, the Management is optimistic that with the gradual relaxation of social distancing measures and re-opening of more sectors in the economy, the sales activities will improve.

On the other hand, sales activities were allowed during the peak of Brexit uncertainties and it was a long process as the European Union referendum took place in 2016. The visibility on the Brexit direction was clearer after the general election in UK which took place in December 2019.

**Q5:** *Is there any pay cut for Directors and senior management due to lower profit or losses arising from the Covid-19?*

The Management has put in place measures to manage the costs, such as salary reduction for the Executive Directors and senior management based on seniority and have frozen staff hiring.

**Q6:** *What will be the impact of Brexit to the Group’s UK property and what are the measures taken to address the impact?*

The ultimate outcome of Brexit remains uncertain. As such, there remains a wide range of possible impact on the Group’s business in the UK. Measures taken to mitigate any potential negative impact include shifting the focus from upper end of the market segment to mid-market segment that targets the local buyers, as well as actively expand the Build-to-Rent (“**BtR**”) business to tap into the rising demand for BtR assets.

### **Operations and Business Strategy**

*Q7: What is the future plan of BtR projects and whether the Management has received any interest on BtR from potential investor?*

The BtR sector in UK is in its infancy stage and is expected to grow strongly in the next few years. The Group is aiming to capture a significant share in this growing market despite the headwinds faced by the real estate sector in the UK.

Various property consultants and researchers expect the number of renters in the UK to increase in the coming years due to change in lifestyle, housing affordability and preferences towards home ownership.

Nonetheless, there is strong interest from institutional funds in owning BtR assets in UK as residential BtR is seen as a defensive asset class amid current low interest rates and weak GBP environment. The timing to conclude another BtR deal would take longer period as negotiations are protracted due to Covid-19. The mix of open market sales and BtR is largely dependent on market conditions and recovery of the global economy.

*Q8: What is the prospect for UK projects for this and next year and the status of sold units in percentage for each project?*

The sales transactions in UK this year would be affected by the restrictions due to Covid-19. However, the UK Government has recently announced relaxation measures and is targeting to progressively re-open the economy once the Covid-19 crisis is under control.

The Company is unable to disclose the take-up rate for each project, however, the Board is pleased to share that as at 31 January 2020, EcoWorld-Ballymore has achieved an average take-up rate of 83%, EcoWorld London of 82% and Australian projects of 85%.

*Q9: Will the delay of project delivery lead to the increase in cost, in particular the Liquidated Ascertained Damages (“LAD”) to the Company?*

Both UK and Australia are based on long-stop/Sunset Dates instead of LAD. The Company will ensure that the projects are completed and delivered on time. Wardian is expected for delivery this year which is ahead of its long-stop of 2022.

*Q10: Does the Company only build BtR once it has secured potential buyers or otherwise?*

The Company may acquire land for BtR development before securing investors but will usually commit to major construction works only after securing an investor.

Q11: *What is expected BtR sales from the sales target of RM6 billion for FY2020?*

The previous RM6 billion sales target was a combined target for both financial year ended 31 October 2019 (“FY2019”) and FY2020. The Group has adopted a new sales target of RM2.2 billion for FY2020 in March 2020. The Company does not disclose the breakdown of expected sales as such information may jeopardise the ongoing negotiation process with potential investors.

Q12: *The tight lending standards, higher stamp duties for foreign buyers and weak sentiment have affected the property sales in Australia. Please outline the measures to improve the property sales.*

Australian regulator has loosened lending restrictions in 2019 with the objective of encouraging demand from local buyers. Among the key measures to improve Australian sales include increased in marketing activities that target the local buyers, competitive pricing, higher incentives for sales agents and buyers, quality designs and placemaking efforts to increase the appeal of projects.

Q13: *Properties under development classified as inventories have increased substantially from RM460.3 million to RM909.9 million in FY2019, an increase of RM449.6 million or 97.7%. How much of these properties are from BtR property project for financial year ended 31 October 2018 (“FY2018”) and FY2019?*

EcoWorld International’s BtR projects are developed through a Joint Venture (“JV”). As such, BtR developments are not consolidated into the Company’s balance sheet and therefore not reflected in the inventories figure. The increase in inventories from FY2018 and FY2019 is due to higher development expenditure incurred for the Group’s Australian projects.

Q14: *The Group’s property projects are currently centered in UK and Australia. Does the Group have any plan to expand the business to other parts of the world? If yes, what are the reasons for the expansion.*

Currently the Group does not have any plan to expand into another country in the near term as we wish to focus on the UK and Australian markets which still offer opportunities for growth.

## **Financial**

Q15: *Is there any reduction in the effective future revenue of RM4.75 billion as recorded in the unaudited results of the Group for the First Quarter ended 31 January 2020 (“1Q2020”) due to Covid-19 and freezing of property transactions in UK?*

There was no freeze on sales imposed by the UK Government. Despite the closure of sales galleries, the marketing activities were carried out via digital campaigns and the Group continues to record sales through Covid-19 crisis albeit at a slower rate.

Subsequent to the announcement made by UK Government on 10 May 2020, sales galleries were then allowed to resume its operations.

Nonetheless, impact could be seen on the timing of profit recognition this year due to delay in delivering Wardian. As a result, the profit recognition may flow through to the next financial year. As announced in the unaudited results for 1Q2020, the Group had achieved sales of approximately RM300 million in 1Q2020.

Q16: *What is the gross profit margin of the Group's projects in London and Australia?*

The gross profit margin ranges from 10% to 20%, wherein the BtR projects would be having lower margins due to its significantly lower marketing risk and forward funding structure whilst the open market sales of the projects in London will be having higher margins.

Q17: *Will high finance cost turn the Company into a loss position in the following months when the sales are weak and what are the action plans to overcome it?*

The project loans are based on floating rates, hence financing cost would be reduced in tandem with the reduced bank's cost of funds. However, the Group has fixed loans which are denominated in MYR, a portion of the finance cost would be reduced by swapping higher interest rate loans in MYR to lower interest rate of other foreign currencies.

Q18: *What is the rationale of using JV method instead of consolidation in the accounting treatment despite the effective ownership of the Company in the investment is more than 70%?*

JV structure is a common arrangement in UK wherein both parties are governed by the Shareholders' Agreement and certain key business decisions would have to be jointly made by both parties regardless of its shareholdings. Hence, the Company would not be able to apply the consolidation treatment on these jointly-controlled entities. In the interest of transparency with regards to the accounting treatment, the Company has disclosed all the details in relation to the JV entities in note 6 of the AFS.

Q19: *Please provide the latest sales figures, as at January 2020, from the property projects at Wardian, West Village, Yarra One and the last residential block in LCI respectively?*

The table below set out the sales numbers as at 31 January 2020. The sales for LCI are the sales of the entire LCI project (not just the last residential block) as the Group does not release block-by-block sales figures:

- Summary of Key Matters Discussed at the Postponed Sixth Annual General Meeting held on 19 May 2020

PROJECT	CUMULATIVE SALES	REVENUE RECOGNISED	FUTURE REVENUE <sup>1</sup>
(Figures in million)	As at 31 January 2020		
<b>UK</b>			
LCI	£563	(£418)	£131
Wardian	£458	(£21)	£434
<b>Australia</b>			
West Village	A\$289	-	A\$288
Yarra One	A\$165	-	A\$165

<sup>1</sup> Gross future revenue excludes reserves as at 31 January 2020

### **Change in Board Composition**

Q20: Will the resignation of Dato' Voon Tin Yow ("**Dato' Voon**") caused any strategic impact to the Company?

Dato' Voon was a non-executive Director of the Company and acted as a representative of Eco World Development Group Berhad ("**EcoWorld Malaysia**") which holds 27% equity stake in the Company. The resignation of Dato' Voon would not have any impact to the operations of the Company.

EcoWorld Malaysia has nominated Dato' Chang Khim Wah, who is the President & CEO of EcoWorld Malaysia, as its representative in the Company in place of Dato' Voon.

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