



(506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER 30 JUNE 2017**

	Quarter ended		Year-to-date ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Revenue	80,066	90,400	150,211	135,524
Cost of sales	(36,080)	(42,313)	(67,469)	(54,803)
Gross profit	43,986	48,087	82,742	80,721
Other income	(806)	4,525	5,808	6,396
Marketing and distribution expenses	(1,366)	(1,136)	(3,062)	(1,559)
Administrative expenses	(7,299)	(9,235)	(14,974)	(15,205)
Other expenses	(214)	(193)	(429)	(428)
Finance costs	(24,352)	(26,939)	(48,697)	(53,904)
Profit before tax	9,949	15,109	21,387	16,021
Income tax expense	(4,109)	(6,701)	(7,283)	(7,257)
Profit net of tax	5,840	8,408	14,104	8,764
Other comprehensive income net of tax				
Foreign currency translation	944	(31)	141	795
Total comprehensive income for the year	6,785	8,377	14,245	9,559
Profit attributable to:				
Owners of the parent	5,157	7,253	13,599	7,677
Non-controlling interest	683	1,155	505	1,087
	5,840	8,408	14,104	8,764
Total comprehensive income attributable to:				
Owners of the parent	6,101	7,222	13,740	8,472
Non-controlling interest	683	1,155	505	1,087
	6,784	8,377	14,245	9,559
Earnings per share attributable to owner of the parent (sen)				
Basic	1.85	2.60	4.88	2.76

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017**

	As at 30.06.2017	As at 31.12.2016 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	6,546	6,878
Intangible assets	24,968	25,042
Investment properties	325,130	325,130
Land held for property development	293,737	293,836
Trade receivables	843,535	866,693
Other investments	4,878	4,857
Deferred tax assets	9,048	9,774
	<u>1,507,842</u>	<u>1,532,210</u>
Current assets		
Property development costs	227,377	235,888
Inventories	102,488	100,132
Tax recoverable	3,678	5,185
Trade and other receivables	151,499	134,664
Other current assets	2,118	44,152
Other investments	114,091	113,267
Cash and bank balances	62,317	62,843
	<u>663,568</u>	<u>696,131</u>
Asset of disposal group classified as held for sale	242	23,087
	<u>663,810</u>	<u>719,218</u>
Total assets	<u>2,171,652</u>	<u>2,251,428</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2017 (contd.)**

	As at 30.06.2017	As at 31.12.2016 (Audited)
	RM'000	RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	181,181	209,277
Provision	24,894	30,326
Other current liabilities	12,299	-
Loans and borrowings	120,442	141,623
Income tax payables	2,647	1,391
	<u>341,463</u>	<u>382,617</u>
Liabilities directly associated with disposal group classified as held for sale	1,339	934
	<u>342,802</u>	<u>383,551</u>
Non-current liabilities		
Trade payables	333,352	334,434
Loans and borrowings	964,624	1,017,041
Deferred tax liabilities	3,765	3,538
	<u>1,301,741</u>	<u>1,355,013</u>
Total liabilities	<u>1,644,543</u>	<u>1,738,564</u>
Equity attributable to owners of parent		
Share capital	278,648	278,648
Treasury shares	(327)	(327)
Share premium	104,302	104,302
Other reserves	321	180
Retained profit	52,798	39,199
	<u>435,742</u>	<u>422,002</u>
Non-controlling interest	91,367	90,862
Total equity	<u>527,109</u>	<u>512,864</u>
Total equity and liabilities	<u>2,171,652</u>	<u>2,251,428</u>
Net assets per share attributable to owner of the parents (RM/share)	<u>1.56</u>	<u>1.51</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2017**

	← Non-distributable →					Distributable →				
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Warrants reserves RM'000	Foreign currency translation reserve RM'000	Other reserves, total RM'000	Retained Profit RM'000	Total RM'000	Non- controlling interest RM'000	Total equity RM'000
At 1 January 2017	278,648	104,302	(327)	-	180	180	39,199	422,002	90,862	512,864
Total comprehensive income for the period	-	-	-	-	-	-	13,599	13,599	505	14,104
Other comprehensive income	-	-	-	-	141	141	-	141	-	141
At 30 June 2017	278,648	104,302	(327)	-	321	321	52,798	435,742	91,367	527,109
At 1 January 2016	278,645	104,302	(327)	3,640	942	4,582	7,154	394,356	91,142	485,498
Total comprehensive income for the period	-	-	-	-	-	-	7,677	7,677	1,087	8,764
Other comprehensive income	-	-	-	-	795	795	-	795	-	795
Transaction with owners:										
Transfer to retained profit upon expiry of warrants	-	-	-	(3,640)	-	(3,640)	3,640	-	-	-
Conversion of RCSLS	3	-	-	-	-	-	-	3	-	3
At 30 June 2016	278,648	104,302	(327)	-	1,737	1,737	18,471	402,831	92,229	495,060

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2017**

	Year-to-date ended	
	30.06.2017	30.06.2016
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	21,387	16,021
Adjustments:		
Depreciation	337	329
Amortisation of intangible assets	92	99
Impairment on trade receivable	28	-
Interest expenses	48,697	53,904
Gain on disposal of investment security	(275)	(249)
Distribution income from money market investment security	(1,736)	(2,140)
Gain on disposal of land	(2,141)	-
Deposit forfeited income	(64)	-
Unrealized gain on foreign exchange	(223)	-
Interest income	(844)	(365)
Operating profit before working capital changes	65,258	67,599
Changes in working capital:		
Net changes in current assets	46,182	43,450
Net changes in current liabilities	(21,842)	(50,162)
Net changes in land held for property development and property development cost	8,610	(3,088)
Cash generated from operations:	98,208	57,799
Income tax paid	(3,567)	(4,098)
Interest paid	(41)	(5,134)
Net cash generated from operating activities	94,600	48,567

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

	Year-to-date ended	
	30.06.2017	30.06.2016
	RM'000	RM'000
Cash flows from investing activities		
Interest received	1,119	365
Purchase of property, plant and equipment	(23)	-
Investment in joint venture	(30)	-
Proceeds from disposal of freehold land	25,000	-
Distribution income received	1,736	2,140
(Placement in)/withdrawal of investment security	(824)	24,427
	<u>26,978</u>	<u>26,932</u>
Cash flows from financing activities		
Payment of RCSLS Coupon	-	(11,191)
Repayment of loans & borrowing	(55,531)	-
Repayment of Sukuk Murabahah	(69,030)	(70,733)
Draw down from loans and borrowings	2,626	1,112
Net payment in finance lease payables	(22)	(32)
	<u>(121,957)</u>	<u>(80,844)</u>
Net decrease in cash and cash equivalents	(379)	(5,345)
Effect of exchange rate changes	150	992
Cash and cash equivalents at beginning of period	58,967	12,106
Cash and cash equivalents at end of period	<u>58,738</u>	<u>7,753</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	2,838	2,661
- Licensed corporation	111	4,501
Cash and bank balances	59,368	9,241
	<u>62,317</u>	<u>16,403</u>
Add: Disposal group held for sale	228	-
Less: Bank overdrafts	(1,036)	(1,488)
Bank balances and deposits pledged / designated	(2,771)	(7,162)
Cash and cash equivalents at end of period	<u>58,738</u>	<u>7,753</u>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of preparation

The condensed consolidated interim financial statements (“Condensed Report”), other than for financial instruments have been prepared under the historical cost convention. Financial instruments are carried at fair value in accordance to Financial Reporting Standard (“FRS”) 9 *Financial Instrument* and FRS 139 *Financial Instruments: Recognition and Measurement*.

This Condensed Report has also been prepared in accordance with the requirements of FRS 134 *Interim Financial Reporting* and paragraph 9.22 of the main market Listing Requirements of Bursa Malaysia Securities Berhad.

This Condensed Report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016. The explanatory notes attached to the Condensed Report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2016.

A2. Summary of significant accounting policies

The significant accounting policies adopted in the preparation of the Condensed Report are consistent with those used in preparing the audited financial statements for the year ended 31 December 2016, except for the following new Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2017.

a) Standards Amendments and Annual Improvement to standards effective for the financial periods beginning on or after 1 January 2017

FRS 107 Disclosures Initiatives (Amendments to FRS 107)

FRS 112 Recognition of Deferred Tax for Unrealized losses (Amendments to FRS 112)

Amendment to FRS 12: Disclosure of Interests in Other Entities (Annual Improvement to FRS Standards 2014-2016 Cycle)

b) FRS, IC Interpretations and Amendments to IC Interpretation but not yet effective

Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 (contd.)

A2. Significant accounting policies (cont'd)

c) New Malaysian Financial Reporting Framework

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities are allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2017. In presenting its first MFRS financial statements, the Group and the Company will be required to adjust the comparative financial statements prepared under the FRS to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings. The Group has opted to defer the adoption of the MFRS Framework to the financial period beginning on 1 January 2018.

A3. Auditors' Report on Preceding Annual Financial Statements

The Group's latest audited financial statements for the financial year ended 31 December 2016 were not subject to any qualification.

A4. Comments about seasonal or cyclical factors

The Group's performance is not affected by any seasonal or cyclical factors.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 (contd.)

A5. Unusual items due to their nature, size or incidence

Disposal of freehold land in Batu Ferringhi

In the 2016 financial year, the Group had entered into a Sale and Purchase Agreement with Crescent Consortium Sdn Bhd to dispose a piece of freehold land for a total cash consideration of RM25.0 million. As at 31 December 2016 which is the financial year end of the Group, the condition precedents for the sale were not fulfilled.

However during the first quarter ended 31 March 2017, the condition precedents for the sale were fulfilled and the sale of the land has been finalised. The sale of the land was recorded in that quarter and the breakdown of the sale is as follows.

	RM'000
Sales Proceed	25,000
<i>less:</i>	
Land Cost	(16,115)
Related Development Expenditure	<u>(6,744)</u>
Gain on disposal	<u>2,141</u>

A6. Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities for the quarter ended 30 June 2017 except for the following:

a) Treasury shares

As at 30 June 2017, the total number of treasury shares held was 386,000.

b) Sukuk Murabahah

Total repayment of Sukuk Murabahah's principal and profit payment amounting to RM69.0mil had been remitted in May 2017 whereas the next principal and profit payment amounting to RM69.0 million is scheduled in November 2017.

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 (contd.)

A6. Debt and equity securities (contd.)

b) Sukuk Murabahah (contd.)

The Sukuk Murabahah was issued by a subsidiary company, ESSB to refinance the entire amount outstanding under ABBA Notes and to fund the Trustee' Reimbursement Account. The Sukuk Murabahah is secured by the assignment of the contract Concession Payments and the Project Escrow Account, and a negative pledge on all assets of ESSB. ESSB is a special purpose vehicle and these Sukuk Murabahah raised do not have any financial recourse to the Group.

A7. Dividend paid

No dividend was paid during the quarter ended 30 June 2017.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 (contd.)

A8. Segmental information

The Group's segment revenue and results are presented by industry segments for the quarter ended 30 June 2017 as follows: -

	Investment holding RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Facilities management RM'000	Others* RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
Revenue								
External customers	-	45,232	97,526	3,178	4,275	-	-	150,211
Inter-segment	6,507	-	-	684	-	-	(7,191)	-
Total Revenue	6,507	45,232	97,526	3,862	4,275	-	(7,191)	150,211
Results:								
Segment results	7,003	44,795	24,745	(179)	253	(1,661)	(7,022)	67,934
Interest income	1,221	1,784	3,979	1	5	-	(4,411)	2,579
Interest expense	(908)	(44,563)	(4,347)	(3,230)	-	(60)	4,411	(48,697)
Depreciation and amortisation	(278)	-	(39)	(60)	-	(1)	(51)	(429)
Profit/(Loss) before tax	7,038	2,016	24,338	(3,468)	258	(1,722)	(7,073)	21,387

* This segment represents Trading, Food and Beverage and Construction Contract Management divisions.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 (contd.)

A9. Material events subsequent to the balance sheet date

There was no material events subsequent to the financial period ended 30 June 2017 up to the date of this report.

A10. Changes in the composition of the Group

There is no material change in the composition of the Group for the financial period ended 30 June 2017 up to the date of this report.

A11. Changes in contingent liabilities

	30.06.2017	30.06.2016
	RM'000	RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	5,409	50,429
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	1,248	-
Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries	200	-
	<u>6,857</u>	<u>50,429</u>

A12. Capital commitments

There was no capital commitments for the purchase of property, plant and equipment not provided for in the interim financial report as at the end of the financial period.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA**

B1. Performance review

a) Performance of the current quarter against the preceding year corresponding quarter (2Q17 vs. 2Q16).

The Group's revenue for the quarter ended 30 June 2017 ("2Q17") is RM80.1 million. This is a decrease of RM10.3 million or 11% as compared to the corresponding quarter ended 30 June 2016 ("2Q16") of RM90.4 million.

The Group's profit before tax for 2Q17 has also similarly decrease to RM9.9 million as compared to RM15.1 million for 2Q16. This represents a 34% or RM5.2 million decrease in profit before tax as compared to the corresponding quarters.

The decrease in revenue and profit before tax is mainly attributed from lower sales achieved and the tapering off of work progress by the Property Division as the Encorp Marina project is near its completion as compared to the corresponding quarter.

Property Development

The division recorded revenue of RM53.6 million for the 2Q17, as compared to RM62.8 million in the 2Q16. This is a 15% or RM9.2 million decrease as compared to the corresponding quarter.

The decrease in revenue is because of the tapering off in work progress at the Encorp Marina project in 2Q17 which is near completion.

The profit before tax for the division similarly has also decrease from RM21.4 million in 2Q16 to RM13.1 million in 2Q17 which represents a 39% or RM8.3 million decrease.

Investment Property

The revenue for investment property for 2Q17 is RM1.8 million as compared to RM1.1 million for 2Q16. This is an increase of RM0.7 million or a 64% increase in comparison to the corresponding quarter.

The increase in revenue is because of the higher net rental achieved as results of the division's continuous effort to improve and rebrand the shopping mall.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

B1. Performance review (contd.)

**a) Performance of the current quarter against the preceding year corresponding quarter
(2Q17 vs. 2Q16) (contd.)**

Investment Property (contd.)

The management constantly reviews its efforts and plans in order to improve the occupancy rate as well as footfall traffic in the shopping mall despite the challenging retail environment.

Concessionaire

Pursuant to the Privatisation Agreement, the concession income is payable by the Government from the completion and handover of each cluster of the teachers' quarters up to the end of the concession period. Accordingly, the Group is compensated in the form of interest as a result of the extended repayment period. The interest income from concession is recognised as revenue using the effective interest method.

The concession division recorded revenue of RM22.4 million in 2Q17 as compared to revenue of RM23.6 million respectively in 2Q16.

Facilities Management

The principal activity of this division is to provide upkeep and maintenance services.

For the quarter under review, the division recorded revenue of RM2.2 million and a profit before tax of RM0.25 million as compared to 2Q16 with revenue of RM2.0 million and profit before tax of RM0.21 million.

This is an increase of 10% in revenue and 19% in profit before tax respectively. The increase is from the additional maintenance contract the division has secured.

**b) Performance of the current financial period against the preceding year financial period
(6M17 vs. 6M16)**

For the six month period ended 30 June 2017 ("6M17"), the Group's revenue of RM150.2 million is RM14.7 million or 11% higher than revenue recorded in preceding year financial period of RM135.5 million whereas the profit before tax for the 6M17 is RM21.4 million which is 34% or RM5.4 million higher as compared to RM16.0 million for the six month period ended 30 June 2016 ("6M16").

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

B1. Performance review (contd.)

**b) Performance of the current financial period against the preceding year financial period
(6M17 vs. 6M16) (contd.)**

The increase in revenue is contributed from the cumulatively higher progress of work achieved by the Property Development Division despite the decrease in revenue on a quarter to quarter basis. The higher profit before tax however is contributed from the increase from the concession income.

Property Development

The revenue of the Property Development Division is RM97.5 million for 6M17 as compared to revenue of RM79.1 million for 6M16. The profit before tax of the division for current period is RM24.3 million as compared to the profit before tax of RM24.9 million in 6M16.

The increase in revenue of RM18.4 million or 23% for the comparative periods is due to the increase in work progress from the Encorp Marina project in Johor and the Cahaya Alam project in Shah Alam. The decrease in profit before tax however is due to additional administrative expenses the division has incurred during the year.

Investment Property

The revenue for 6M17 for the division is RM3.2 million as compared to revenue for 6M16 of RM3.0 million. This represents an increase of 7% or RM0.2 million. The increase is due to efficient management combined with its efforts to continuously improve the shopping mall.

Concessionaire

The concession division recorded revenue of RM45.2 million for the period 6M17 and a profit before tax of RM2.0 million whereas for the period 6M16 revenue is RM47.4 million and profit before tax is RM0.4 million.

Facilities Management

For the period 6M17 the facilities management division recorded revenue of RM4.3 million and profit before tax of RM0.3 million. However for the period 6M16 the division's revenue is RM4.1 million and profit before tax is RM0.4 million. The increase in revenue is due to the additional facilities management contract the division has secured.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

B2. Comparison with Immediate Preceding Quarter (contd.)

Revenue for the Group for 2Q17 is RM80.1 million compared to revenue for 1Q17 of RM70.1 million. This is an increase of RM10.0 million or by 14% and the increase is from the increase in contribution from the property division in 2Q17.

The profit before tax for 2Q17 is RM9.9 million against the profit before tax for 1Q17 of RM11.4 million. The decrease between the two quarters is RM1.5 million or 13% and is mainly because of the decrease in unrealised foreign gain which has reduced in 2Q17.

B3. Commentary on prospects

The property sector is expected to remain challenging particularly with investors adopting a “wait and see” approach, stringent lending rules imposed by banks and oversupply in certain property sub-sector market. Additionally certain sub sectors e.g. finance and oil & gas sectors that are traditionally the take-out sources for office spaces in the Klang Valley are now holding back given the cautious sentiments of the economy.

With these challenges ahead, the Group will focus on measures to increase efficiencies and pursue innovative concepts to enhance its development projects such as the Bukit Katil township development that the Group recently embarked via a Master Development Agreement signed between the Group and FELDA.

The Group’s wholly own subsidiary Encorp Bukit Katil Sdn Bhd on 8 June 2017 has entered into a joint venture agreement with Sinmah Development Sdn Bhd to jointly develop 77.94 acres of land within the recently acquired development rights of the land in Melaka. The proposed development from the joint venture is to develop a residential component which would consist of detached, semi-detached and link houses as well as a commercial component that would include a medical college, a public and a private hospital.

Following the joint venture with Sinmah, the Group believes that there would be more joint ventures to come and is optimistic about the development of the Bukit Katil Township.

The Group will also explore new avenues of revenue sources such as industrial property sub-sector market and facilities management. Management will continuously review its operations, including potential acquisition of new land and properties at various strategic locations with high growth potential, entering into joint ventures with established and reputable partners to fast track the high value township development and rationalisation of existing business.

B4. Variance from forecast profit and profit guarantee

Not applicable.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

B5. Income tax expense

	Quarter ended		Year-to-date ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Income tax	9,267	(6,039)	5,530	(6,486)
Deferred tax	(13,376)	(662)	(12,813)	(771)
	<u>(4,109)</u>	<u>(6,701)</u>	<u>(7,283)</u>	<u>(7,257)</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the year.

The effective tax rate for the Group for the financial period is higher than the statutory tax rate because certain expenses are not allowable as deduction for tax purposes, and losses of certain subsidiaries which have not been used to set off against taxable profits made by other subsidiaries.

B6. Disposal of unquoted investments, assets and properties

There were no disposal of unquoted investments and/or properties for the financial period ended 30 June 2017, other than the disposal of freehold land in Batu Ferringhi for total consideration of RM25.0million and recorded a gain on disposal of RM2.1million.

B7. Purchase or disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial period ended 30 June 2017.

B8. Status of corporate proposals

On the 27 February 2017, MIDF Amanah Investment Bank Berhad ('MIDF Investment') on behalf of the Board of Directors of Encorp had announced that the Company propose to undertake a private placement of up to 27,864,801 new ordinary shares in Encorp, representing ten per cent of the total number of issued shares of Encorp (excluding treasury shares).

MIDF Investment had also on 17 March 2017 on behalf of Encorp submitted the listing application in relation to the Proposed Private Placement to Bursa Malaysia Securities Berhad ('Bursa Securities') which was duly approved by Bursa Securities vide its letter dated 24 March 2017. As of the date of this report, the Private Placement exercise has not taken place.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

B9. Borrowings and debt securities

	As at 30.06.2017	
	Current	Non-current
	RM'000	RM'000
Secured		
Sukuk Murabahah	48,857	871,517
Term loan	13,501	75,731
Bridging loan	12,176	17,354
Obligations under finance leases and hire purchases	21	23
Revolving credit	44,850	-
Bank overdraft	1,036	-
	<u>120,442</u>	<u>964,624</u>

B10. Changes in material litigation

The Group has no outstanding material litigation for the financial period ended 30 June 2017.

B11. Dividends

The Board of Directors did not recommend any dividend for the quarter ended 30 June 2017.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

B12. Profit for the period

	Quarter ended 30.06.2017 RM'000	Year-to-date ended 30.06.2017 RM'000
The profit/loss is arrived at after charging/(crediting):		
a) Interest income	(1,468)	(2,855)
b) Other income	(186)	(589)
c) Interest expense	24,352	48,697
d) Depreciation and amortisation	214	429
e) Employee benefits	3,272	7,531
g) Allowance of doubtful debts	213	28
h) Gain on disposal of freehold land	-	(2,141)
i) Loss/(gain) on foreign exchange	2,459	(223)
j) Operating lease		
- premises	355	1,016
- equipment	54	106
- others	6	20
	<u>6</u>	<u>20</u>

B13. Retained Earnings

	As at 30.06.2017 RM'000	As at 31.12.2016 (Audited) RM'000
Group		
Realised	209,623	188,432
Unrealised	139,582	140,508
	<u>349,205</u>	<u>328,940</u>
Consolidation adjustments	(296,407)	(289,741)
Total retained earnings	<u>52,798</u>	<u>39,199</u>

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2017 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

B14. Earnings per share ("EPS")

a) Basic EPS

	Quarter ended		Year-to-date ended	
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the parent	5,157	7,253	13,599	7,677
Weighted average number of ordinary shares in issue	278,648	278,648	278,648	278,648
Basic EPS (sen)	1.85	2.60	4.88	2.76

b) Diluted EPS

Upon the maturity of RCSLS and the expiry of Warrants, the Company has no other dilutive potential ordinary shares. Accordingly, the diluted EPS for the current financial period is not presented.

B15. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 25 August 2017.

By Order of the Board
ENCORP BERHAD (506836-X)

Lee Lay Hong
Company Secretary

25 August 2017