



(506836-X)

(Incorporated in Malaysia)

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

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

| | Quarter ended | | Year-to-date ended | |
|--|-----------------|--------------|--------------------|---------------|
| | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 56,384 | 78,957 | 206,596 | 214,481 |
| Cost of sales | (47,267) | (39,955) | (114,736) | (95,795) |
| Gross profit | 9,117 | 39,002 | 91,860 | 118,686 |
| Other income | 4,438 | 254 | 10,246 | 6,650 |
| Selling and marketing expenses | (81) | (1,159) | (3,143) | (2,718) |
| Administrative expenses | (9,132) | (6,962) | (24,107) | (21,130) |
| Other expenses | (213) | (280) | (642) | (708) |
| Finance costs | (24,934) | (24,542) | (73,632) | (78,446) |
| Profit/(Loss) before tax | (20,805) | 6,313 | 582 | 22,334 |
| Income tax expense | 4,637 | (2,548) | (2,646) | (9,805) |
| Profit/(Loss) net of tax | (16,168) | 3,765 | (2,064) | 12,529 |
| Other comprehensive income/(loss) net of tax | | | | |
| Foreign currency translation | (794) | (887) | (653) | (92) |
| Total comprehensive income/(loss) for the year | (16,962) | 2,878 | (2,717) | 12,437 |
| Profit/(Loss) attributable to: | | | | |
| Owners of the parent | (15,799) | 4,090 | (2,200) | 11,767 |
| Non-controlling interest | (369) | (325) | 136 | 762 |
| | (16,168) | 3,765 | (2,064) | 12,529 |
| Total comprehensive income/(loss) attributable to: | | | | |
| Owners of the parent | (16,593) | 3,203 | (2,853) | 11,675 |
| Non-controlling interest | (369) | (325) | 136 | 762 |
| | (16,962) | 2,878 | (2,717) | 12,437 |
| Earnings/(Loss) per share attributable to owner of the parent (sen) | | | | |
| Basic | (5.65) | 1.47 | (0.79) | 4.22 |

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 SEPTEMBER 2017**

| | As at 30.09.2017 | As at 31.12.2016 (Audited) |
|---|---------------------|----------------------------------|
| | RM'000 | RM'000 |
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 6,390 | 6,878 |
| Intangible assets | 24,923 | 25,042 |
| Investment properties | 325,130 | 325,130 |
| Land held for property development | 381,666 | 293,836 |
| Trade receivables | 831,517 | 866,693 |
| Other investments | 5,065 | 4,857 |
| Deferred tax assets | 8,972 | 9,774 |
| | <u>1,583,663</u> | <u>1,532,210</u> |
| Current assets | | |
| Property development costs | 149,787 | 235,888 |
| Inventories | 102,231 | 100,132 |
| Tax recoverable | 11,072 | 5,185 |
| Trade and other receivables | 86,856 | 134,664 |
| Other current assets | 12,766 | 44,152 |
| Other investments | 157,907 | 113,267 |
| Cash and bank balances | 52,579 | 62,843 |
| | <u>573,198</u> | <u>696,131</u> |
| Asset of disposal group classified as held for sale | 242 | 23,087 |
| | <u>573,440</u> | <u>719,218</u> |
| Total assets | <u>2,157,103</u> | <u>2,251,428</u> |

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

| | As at 30.09.2017 | As at 31.12.2016 (Audited) |
|--|---------------------|----------------------------------|
| | RM'000 | RM'000 |
| Equity and liabilities | | |
| Current liabilities | | |
| Trade and other payables | 192,023 | 209,277 |
| Provision | 57,108 | 30,326 |
| Other current liabilities | 80 | - |
| Loans and borrowings | 109,190 | 141,623 |
| Income tax payables | - | 1,391 |
| | <u>358,401</u> | <u>382,617</u> |
| Liabilities directly associated with disposal group classified as held for sale | 1,343 | 934 |
| | <u>359,744</u> | <u>383,551</u> |
| Non-current liabilities | | |
| Trade payables | 307,541 | 334,434 |
| Loans and borrowings | 965,762 | 1,017,041 |
| Deferred tax liabilities | 3,961 | 3,538 |
| | <u>1,277,264</u> | <u>1,355,013</u> |
| Total liabilities | <u>1,637,008</u> | <u>1,738,564</u> |
| Equity attributable to owners of parent | | |
| Share capital | 288,596 | 278,648 |
| Share premium | 104,302 | 104,302 |
| Treasury shares | (327) | (327) |
| Other reserves | (473) | 180 |
| Retained earnings | 36,999 | 39,199 |
| | <u>429,097</u> | <u>422,002</u> |
| Non-controlling interest | 90,998 | 90,862 |
| Total equity | <u>520,095</u> | <u>512,864</u> |
| Total equity and liabilities | <u>2,157,103</u> | <u>2,251,428</u> |
| Net assets per share attributable to owner of the parents (RM/share) | <u>1.53</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 SEPTEMBER 2017**

| | ← Non-distributable → | | | | | Distributable | | | | |
|---|-----------------------|----------------|-----------------|-------------------|--------------------------------------|-----------------------|-----------------|----------------|--------------------------|----------------|
| | Share capital | Share premium | Treasury shares | Warrants reserves | Foreign currency translation reserve | Other reserves, total | Retained Profit | Total | Non-controlling interest | Total equity |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| At 1 January 2017 | 278,648 | 104,302 | (327) | - | 180 | 180 | 39,199 | 422,002 | 90,862 | 512,864 |
| Total comprehensive income/(loss) for the period | - | - | - | - | - | - | (2,200) | (2,200) | 136 | (2,064) |
| Other comprehensive loss | - | - | - | - | (653) | (653) | - | (653) | - | (653) |
| Transaction with owners: | | | | | | | | | | |
| Private Placement of 15,304,401 unit of shares | 9,948 | - | - | - | - | - | - | 9,948 | - | 9,948 |
| At 30 Sept 2017 | 288,596 | 104,302 | (327) | - | (473) | (473) | 36,999 | 429,097 | 90,998 | 520,095 |
| 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 | - | - | - | - | - | - | 11,767 | 11,767 | 762 | 12,529 |
| Other comprehensive loss | - | - | - | - | (92) | (92) | - | (92) | - | (92) |
| 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 Sept 2016 | 278,648 | 104,302 | (327) | - | 850 | 850 | 22,561 | 406,034 | 91,904 | 497,938 |

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 SEPTEMBER 2017**

| | Year-to-date ended | |
|---|--------------------|------------|
| | 30.09.2017 | 30.09.2016 |
| | RM'000 | RM'000 |
| Cash flows from operating activities | | |
| Profit before taxation | 582 | 22,334 |
| Adjustments: | | |
| Depreciation | 505 | 563 |
| Amortisation of intangible assets | 137 | 145 |
| Reversal of impairment of trade receivables | (1,369) | (1,317) |
| Interest expenses | 73,632 | 78,446 |
| Gain on disposal of investment security | (299) | (96) |
| Distribution income from money market investment security | (2,821) | (3,133) |
| Gain on disposal of land | (2,141) | - |
| Deposit forfeited income | (165) | - |
| Unrealized gain on foreign exchange | (2,264) | - |
| Interest income | (1,298) | (468) |
| Operating profit before working capital changes | 64,499 | 96,474 |
| Changes in working capital: | | |
| Net changes in current assets | 115,890 | 28,704 |
| Net changes in current liabilities | (16,711) | (27,294) |
| Net changes in land held for property development and property development cost | (1,729) | (9,291) |
| Cash generated from operations: | 161,949 | 88,593 |
| Income tax paid | (8,698) | (7,634) |
| Interest paid | (6,788) | (7,870) |
| Net cash generated from operating activities | 146,463 | 73,089 |
| Cash flows from investing activities | | |
| Interest received | 1,597 | 468 |
| Purchase of property, plant and equipment | (36) | - |
| Investment in joint venture | (30) | - |
| Proceeds from disposal of land | 25,000 | 26,981 |
| Distribution income received | 2,821 | 3,133 |
| (Placement in)/withdrawal of investment security | (44,640) | 542 |
| Net cashflow generated from investing activities | (15,288) | 31,124 |

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

| | Year-to-date ended | |
|--|--------------------|-----------------|
| | 30.09.2017 | 30.09.2016 |
| | RM'000 | RM'000 |
| Cash flows from financing activities | | |
| Payment of RCSLS Coupon | - | (11,357) |
| Conversion of RCSLS | - | 3 |
| Repayment of loans & borrowing | (85,006) | (74,330) |
| Repayment of Sukuk Murabahah | (69,029) | (70,733) |
| Withdrawal / (Placement) of deposits pledged | - | 1,988 |
| Private Placement of 15,304,401 unit of shares | 9,948 | - |
| Drawdown from loans and borrowings | 3,941 | 60,180 |
| Net payment in finance lease payables | (32) | (31) |
| | <u>(140,178)</u> | <u>(94,280)</u> |
| Net cashflow used in financing activities | (140,178) | (94,280) |
| Net decrease in cash and cash equivalents | (9,003) | 9,933 |
| Effect of exchange rate changes | (831) | (204) |
| Cash and cash equivalents at beginning of period | 58,967 | 12,106 |
| Cash and cash equivalents at end of period | <u>49,133</u> | <u>21,835</u> |
| Cash and cash equivalents comprise the followings: | | |
| Cash deposits placed with: | | |
| - Licensed banks | 2,793 | 2,690 |
| - Licensed corporation | 47 | 4,722 |
| Cash and bank balances | 49,739 | 18,089 |
| | <u>52,579</u> | <u>25,501</u> |
| Add: Disposal group held for sale | 228 | - |
| Less: Bank overdrafts | (881) | (1,487) |
| Bank balances and deposits pledged / designated | (2,793) | (2,179) |
| Cash and cash equivalents at end of period | <u>49,133</u> | <u>21,835</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 SEPTEMBER 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 SEPTEMBER 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.

On 2 September 2014, MASB announced that Transitioning Entities shall be required to apply the MFRS Framework for annual periods beginning on or after 1 January 2017. Subsequently on 28 October 2015, Transitioning Entities are allowed to defer adoption of MFRS Framework for an additional one year. Consequently, adoption of MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 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 SEPTEMBER 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 |
| Less: | |
| Land Cost | (16,115) |
| Related Development Expenditure | (6,744) |
| 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 September 2017 except for the following:

a) Treasury shares

As at 30 September 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.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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, Encorp Systembilt Sdn Bhd ('ESSB') to refinance the entire amount outstanding under Al-Bai' Bithaman Ajil Notes and to fund the Trustee's 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.

c) Ordinary Shares

On the 7 September 2017, the company had issued 15,304,401 new ordinary shares via a Private Placement exercise and the issue price per share for the placement is RM0.65. The issuances of new ordinary shares in the exercise above represent the first tranche of the Private Placement exercise. Kindly refer to B8. Status of corporate proposals on page 18 for more elaboration on the Private Placement proposal.

A7. Dividend paid

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

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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 September 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 | - | 67,408 | 128,724 | 4,623 | 6,357 | (516) | - | 206,596 |
| Inter-segment | 7,938 | - | - | 1,026 | - | - | (8,965) | - |
| Total Revenue | 7,938 | 67,408 | 128,724 | 5,649 | 6,357 | (516) | (8,965) | 206,596 |
| Results: | | | | | | | | |
| Segment results | 5,502 | 66,488 | 5,783 | (354) | 357 | (2,785) | (4,553) | 70,438 |
| Interest income | 1,934 | 3,177 | 6,068 | 2 | 8 | 1 | (6,772) | 4,418 |
| Interest expense | (2,033) | (66,844) | (6,541) | (4,893) | - | (92) | 6,772 | (73,632) |
| Depreciation and amortisation | (416) | - | (58) | (90) | - | (2) | (76) | (642) |
| Profit/(Loss) before tax | 4,987 | 2,821 | 5,252 | (5,335) | 365 | (2,878) | (4,629) | 582 |

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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 September 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 September 2017 up to the date of this report.

A11. Changes in contingent liabilities

| | 30.09.2017 | 30.09.2016 |
|---|-------------------|-------------------|
| | RM'000 | RM'000 |
| Contingent liabilities: | | |
| Corporate guarantee given to banks for credit facilities granted to subsidiaries | 5,998 | 31,163 |
| 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>7,446</u> | <u>31,163</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 SEPTEMBER 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 (3Q17 vs. 3Q16).

The Group's revenue for the quarter ended 30 September 2017 ("3Q17") is RM56.4 million. This is a decrease of RM22.6 million or 29% as compared to the corresponding quarter ended 30 September 2016 ("3Q16") of RM79.0 million.

The Group's loss before tax for 3Q17 is RM20.8 million as compared to a profit before tax of RM6.3 million for 3Q16. This represents a 430% or RM27.1 million decrease in profit before tax as compared to the corresponding quarters.

The decrease in revenue is mainly attributed from the Property Division as there are less on-going projects comparatively to the comparative quarter in year 2016. The group has registered a loss in 3Q17 as there was an increase in provision for liquidated and ascertained damages ('LAD') by the Property Division and the loss is also due to the lower contribution of profits as one of its projects was completed at the end of second quarter of 2017.

Property Development

The division recorded revenue of RM31.2 million for the 3Q17, as compared to RM49.3 million in the 3Q16. This is a 37% or RM18.1 million decrease as compared to the corresponding quarter.

The profit before tax for the division similarly has also decreased from RM5.8 million in 3Q16 to a loss before tax of RM19.1 million in 3Q17 which represents a 429% or RM24.9 million decrease.

The decrease in revenue and profit before tax is due to the completion of its project at the end of the second quarter 2017 and concurrently an increase in provision for LAD for its projects.

Investment Property

The revenue for investment property for 3Q17 is RM1.45 million as compared to RM1.48 million for 3Q16. This is a decrease of RM0.03 million or a 2% decrease in comparison to the corresponding quarter.

The decrease in revenue is due to the higher rebates given. 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.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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
(3Q17 vs. 3Q16) (contd.)**

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 RM22.2 million in 3Q17 as compared to revenue of RM23.3 million respectively in 3Q16.

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 RM2.08 million and a profit before tax of RM0.107 million as compared to 3Q16 with revenue of RM2.06 million and profit before tax of RM0.01 million.

This is an increase of 1% in revenue and 970% in profit before tax respectively. The increase in revenue is due to the additional facilities management contract the division has secured.

**b) Performance of the current financial period against the preceding year financial period
(9M17 vs. 9M16)**

For the nine months period ended 30 September 2017 ("9M17"), the Group's revenue of RM206.6 million is RM7.9 million or 4% lower than revenue recorded in preceding year financial period of RM214.5 million whereas the profit before tax for the 9M17 is RM0.6 million which is 97% or RM21.7 million lower as compared to RM22.3 million for the nine months period ended 30 September 2016 ("9M16").

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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
(9M17 vs. 9M16) (contd.)**

The decrease in revenue for the nine months is due the decrease in concession income and the decrease in revenue contributed from the construction management division. The decrease however in profit before tax for the nine months is mainly because of the increase in provision for LAD from the property division.

Property Development

The revenue of the Property Development Division is RM128.7 million for 9M17 as compared to revenue of RM128.4 million for 9M16. The profit before tax of the division for the 9M17 is RM5.3 million as compared to the profit before tax of RM30.7 million in 9M16.

The increase in revenue of RM0.3 million or 0.3% for the comparative periods is due to the slight overall increase in works progress for the nine months from the division. The decrease in profit before tax however of RM25.4 million or 83% is because of the increase in provision for LAD for one of its projects and the decrease in on-going projects therefore less contribution to the profits for the nine months in 2017.

Investment Property

The revenue for 9M17 for the division is RM4.6 million as compared to revenue for 9M16 of RM4.5 million. This represents an increase of 2.2% or RM0.1 million. The increase in revenue is due to the slight increase in occupancy as a result of the management's continuous effort in rebranding and reposition the shopping mall.

Concessionaire

The concession division recorded revenue of RM67.4 million for the period 9M17 and a profit before tax of RM2.8 million whereas for the period 9M16 revenue is RM70.7 million and profit before tax is RM2.7 million.

Facilities Management

For the period 9M17 the facilities management division recorded revenue of RM6.4 million and profit before tax of RM0.4 million. However for the period 9M16 the division's revenue is RM6.1 million and profit before tax is RM0.5 million. The increase in revenue is due to the additional facilities management contract the division has secured. The decrease in profit before tax of RM0.1 million or 20% is due to the increase in operational cost for the 9M17 as compared to 9M16.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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 3Q17 is RM56.4 million compared to revenue for 2Q17 of RM80.1 million. This is a decrease of RM23.7 million or by 30% and reduction in revenue was from the property division as its project in Cahaya Alam, Shah Alam was completed in the second quarter of 2017.

The loss before tax for 3Q17 is RM20.8 million against the profit before tax for 2Q17 of RM9.9 million. The decrease between the two quarters is RM30.7 million or 310% and is mainly because of the decrease in profit contribution from the property division as there was an increase in provision for LAD by the division.

B3. Commentary on prospects

The outlook for the property sector remains mixed. Some quarters i.e. Real Estate and Housing Developers' Association Malaysia ('REHDA') in their article in the Star Online which has taken an optimistic view for the property sector for the near future. Their reason for such optimism is based on the country's economic condition which has improved. This, according to REHDA is based on a stronger gross domestic project growth as forecasted by Bank Negara Malaysia and economist. Additionally RAM Ratings have shifted its outlook for the residential property sector for 2017/2018 from negative to stable and their premise for this is based on the expectation of a slow but gradual pick-up in market activity after the lull of the last several years.

However there are some quarters which have taken a pessimistic outlook citing an overhang in certain property sub-sector market, stringent lending from the banks and a cautious approach from investors all contributing to a subdued property market.

Despite the mixed outlook for the sector, the Group has always been cautiously optimistic on the property market as is always striving to development attractive products and to constantly innovate in this challenging environment. At the end of the second quarter the property division has completed and handed over one of its phases in Shah Alam and is on the verge of completing the project in Johor.

In November 2017, the Group has launched Phase 1 of its Dahlia development at Cahaya Alam which consists of 57 two-storey link units and it has received overwhelming respond for the project. There is also the Bukit Katil township development which the Group has 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.

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

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

B3. Commentary on prospects (contd.)

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 board is currently reviewing and evaluating the Group's operation and strategies as it intends to optimise the Group's various business operations.

B4. Variance from forecast profit and profit guarantee

Not applicable.

B5. Income tax expense

| | Quarter ended | | Year-to-date ended | |
|--------------|---------------|----------------|--------------------|----------------|
| | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax | 4,757 | (4,840) | 10,287 | (11,326) |
| Deferred tax | (120) | 2,292 | (12,933) | 1,521 |
| | <u>4,637</u> | <u>(2,548)</u> | <u>(2,646)</u> | <u>(9,805)</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 September 2017, other than the disposal of freehold land in Batu Ferringhi for total consideration of RM25.0 million and recorded a gain on disposal of RM2.1 million.

B7. Purchase or disposal of quoted securities

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

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

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

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.

On the 8 September 2017, the first tranche of the Private Placement has been completed following the listing of and quotation for 15,304,401 Placement Shares on the Main Market of Bursa Securities. The issue price per share for the placement is RM0.65. Bursa Securities has vide its letter dated 18 September 2017, approved the application for an extension of time until 23 March 2018 to complete the implementation of the Private Placement.

B9. Borrowings and debt securities

| | As at 30.09.2017 | |
|---|-------------------|-----------------------|
| | Current RM'000 | Non-current RM'000 |
| Secured | | |
| Sukuk Murabahah | 48,857 | 893,798 |
| Term loan | 13,501 | 71,941 |
| Bridging loan | 5,090 | - |
| Obligations under finance leases and hire purchases | 11 | 23 |
| Revolving credit | 40,850 | - |
| Bank overdraft | 881 | - |
| | <u>109,190</u> | <u>965,762</u> |

B10. Changes in material litigation

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

B11. Dividends

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

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

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

B12. Profit for the period

| | Quarter ended 30.09.2017 RM'000 | Year-to-date ended 30.09.2017 RM'000 |
|---|--|---|
| The profit/loss is arrived at after charging/(crediting): | | |
| a) Interest income | (1,468) | (4,418) |
| b) Other income | (186) | (1,422) |
| c) Interest expense | 24,935 | 73,632 |
| d) Depreciation and amortisation | 213 | 642 |
| e) Employee benefits | 4,399 | 11,930 |
| g) Reversal of allowance of doubtful debts | (1,397) | (1,369) |
| h) Gain on disposal of land | - | (2,141) |
| i) Unrealised gain on foreign exchange | (2,041) | (2,264) |
| j) Operating lease | | |
| - premises | 521 | 1,537 |
| - equipment | 73 | 179 |
| - others | 6 | 9 |
| | <u>6</u> | <u>9</u> |

B13. Retained Earnings

| | As at 30.09.2017 RM'000 | As at 31.12.2016 (Audited) RM'000 |
|---------------------------|-------------------------------|--|
| Group | | |
| Realised | 192,931 | 188,432 |
| Unrealised | 137,755 | 140,508 |
| | <u>330,686</u> | <u>328,940</u> |
| Consolidation adjustments | (293,687) | (289,741) |
| Total retained earnings | <u>36,999</u> | <u>39,199</u> |

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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 | |
|---|---------------|-------------|--------------------|-------------|
| | 30.09.2017 | 30.09.2016 | 30.09.2017 | 30.09.2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(Loss) attributable to owners of the parent | (15,799) | 4,090 | (2,200) | 11,767 |
| Weighted average number of ordinary shares in issue | 279,877 | 278,648 | 279,877 | 278,648 |
| Basic EPS (sen) | (5.65) | 1.47 | (0.79) | 4.22 |

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 23 November 2017.

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

Lee Lay Hong
Company Secretary

23 November 2017