



(506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER 31 DECEMBER 2017**

	Quarter ended		Year-to-date ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016 (Audited)
	RM'000	RM'000	RM'000	RM'000
Revenue	106,343	144,773	312,939	359,254
Cost of sales	(86,160)	(87,928)	(200,896)	(182,208)
Gross profit	20,183	56,845	112,043	177,046
Other income	5,940	11,307	16,186	17,957
Selling and marketing expenses	914	(2,467)	(2,229)	(5,185)
Administrative expenses	(34,936)	(19,838)	(59,044)	(42,483)
Other expenses	(218)	(286)	(860)	(994)
Finance costs	(24,209)	(26,083)	(97,841)	(104,529)
Profit/(Loss) before tax	(32,326)	19,478	(31,745)	41,812
Income tax expense	(488)	(3,882)	(3,134)	(13,687)
Profit/(Loss) net of tax	(32,814)	15,596	(34,879)	28,125
Other comprehensive income/(loss) net of tax				
Foreign currency translation	1,521	(670)	868	(762)
Total comprehensive income/(loss) for the year	(31,293)	14,926	(34,011)	27,363
Profit/(Loss) attributable to:				
Owners of the parent	(28,217)	16,638	(30,418)	28,405
Non-controlling interest	(4,597)	(1,042)	(4,461)	(280)
	(32,814)	15,596	(34,879)	28,125
Total comprehensive income/(loss) attributable to:				
Owners of the parent	(26,696)	3,203	(29,550)	27,643
Non-controlling interest	(4,597)	(325)	(4,461)	(280)
	(31,293)	2,878	(34,011)	27,363
Earnings/(Loss) per share attributable to owner of the parent (sen)				
Basic	(9.96)	5.97	(10.73)	10.19

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 31 DECEMBER 2017**

	As at 31.12.2017	As at 31.12.2016 (Audited)
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	6,259	6,878
Intangible assets	18,875	25,042
Investment properties	314,740	325,130
Land held for property development	367,138	293,836
Trade receivables	814,262	866,693
Other investments	4,771	4,857
Deferred tax assets	16,460	9,774
	<u>1,542,505</u>	<u>1,532,210</u>
Current assets		
Property development costs	139,576	235,888
Inventories	101,687	100,132
Tax recoverable	3,454	5,185
Trade and other receivables	90,699	134,664
Other current assets	90,691	44,152
Other investments	118,331	113,267
Cash and bank balances	22,689	62,843
	<u>567,127</u>	<u>696,131</u>
Asset of disposal group classified as held for sale	97	23,087
	<u>567,224</u>	<u>719,218</u>
Total assets	<u>2,109,729</u>	<u>2,251,428</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (contd.)**

	As at 31.12.2017	As at 31.12.2016 (Audited)
	RM'000	RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	228,833	209,277
Provision	64,776	30,326
Other current liabilities	2,586	-
Loans and borrowings	109,812	141,623
Income tax payables	794	1,391
	<u>406,801</u>	<u>382,617</u>
Liabilities directly associated with disposal group classified as held for sale	1,330	934
	<u>408,131</u>	<u>383,551</u>
Non-current liabilities		
Trade payables	301,282	334,434
Loans and borrowings	909,111	1,017,041
Deferred tax liabilities	2,404	3,538
	<u>1,212,797</u>	<u>1,355,013</u>
Total liabilities	<u>1,620,928</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	1,048	180
Retained earnings	8,781	39,199
	<u>402,400</u>	<u>422,002</u>
Non-controlling interest	86,401	90,862
Total equity	<u>488,801</u>	<u>512,864</u>
Total equity and liabilities	<u>2,109,729</u>	<u>2,251,428</u>
Net assets per share attributable to owner of the parents (RM/share)	<u>1.42</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.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 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 loss for the period	-	-	-	-	-	-	(30,418)	(30,418)	(4,461)	(34,879)
Other comprehensive income	-	-	-	-	868	868	-	868	-	868
Transaction with owners:										
Private Placement of 15,304,401 unit of shares	9,948	-	-	-	-	-	-	9,948	-	9,948
At 31 Dec 2017	288,596	104,302	(327)	-	1,048	1,048	8,781	402,400	86,401	488,801
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	-	-	-	-	-	-	28,405	28,405	(280)	28,125
Other comprehensive loss	-	-	-	-	(762)	(762)	-	(762)	-	(762)
Transaction with owners:										
Transfer to retained profit upon expiry of warrants	-	-	-	(3,640)	-	(3,640)	3,640	-	-	-
Conversion of RCCLS	3	-	-	-	-	-	-	3	-	3
At 31 Dec 2016	278,648	104,302	(327)	-	180	180	39,199	422,002	90,862	512,864

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.

ENCORP BERHAD (506836-X)
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2017**

	Year-to-date ended	
	31.12.2017	31.12.2016
	RM'000	(Audited) RM'000
Cash flows from operating activities		
Profit before taxation	(31,745)	41,812
Adjustments:		
Depreciation	676	683
Amortisation of intangible assets	184	192
Reversal of impairment of trade receivables	(2,321)	-
Interest expenses	97,841	104,216
Gain on disposal of investment security	(139)	(75)
Distribution income from money market investment security	(4,112)	(4,036)
Interest income	(1,954)	(1,032)
Gain on disposal of land	(2,141)	-
Deposit forfeited income	-	(7,302)
Provision for short-tem accumulating compensated absences	-	82
Changes in fair value of investment properties	10,161	(270)
Allowance for impairment on other receivables	1,802	11,848
Impairment of Goodwill	6,000	-
Impairment of land	6,592	-
Write down of inventories	-	1,220
Write off of plant and equipment	131	712
Write off of intangible assets	-	3
Liquidated and ascertained damages	41,390	18,621
Unrealized (gain)/loss on forex	945	(1,354)
Operating profit before working capital changes	123,310	165,320
Changes in working capital:		
Net changes in current assets	48,106	46,287
Net changes in current liabilities	(17,554)	23,761
Net changes in land held for property development and property development cost	16,418	(23,239)
Cash generated from operations:	170,280	212,129
Income tax paid	(9,820)	(14,457)
Interest paid	(8,627)	(103,336)
Net cash generated from operating activities	151,833	94,336
Cash flows from investing activities		
Interest received	1,954	1,032
Purchase of property, plant and equipment	(75)	(25)
Investment in joint venture	(30)	-
Proceeds from disposal of land	25,000	-
Proceeds from disposal of investment properties	-	27,000
Distribution income received	4,251	4,036
(Placement in)/withdrawal of investment security	(4,948)	(8,088)
Net cashflow generated from investing activities	26,152	23,955

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2017 (contd.)**

	Year-to-date ended	
	31.12.2017	31.12.2016 (Audited)
	RM'000	RM'000
Cash flows from financing activities		
Payment of RCSLS Coupon	-	(11,354)
Repayment of loans & borrowing	(109,879)	(53,326)
Repayment of Sukuk Murabahah	(137,983)	(135,980)
Withdrawal / (Placement) of deposits pledged	(352)	1,558
Private Placement of 15,304,401 unit of shares	9,948	-
Drawdown from loans and borrowings	19,599	128,481
Net payment in finance lease payables	(86)	(47)
	<u>(218,753)</u>	<u>(70,668)</u>
Net cashflow used in financing activities	(218,753)	(70,668)
Net decrease in cash and cash equivalents	(40,768)	47,623
Effect of exchange rate changes	868	(762)
Cash and cash equivalents at beginning of period	58,967	12,106
Cash and cash equivalents at end of period	<u>19,067</u>	<u>58,967</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	2,814	2,768
- Licensed corporation	47	68
Cash and bank balances	19,828	60,007
	<u>22,689</u>	<u>62,843</u>
Add: Disposal group held for sale	97	228
Less: Bank overdrafts	(730)	(1,336)
Bank balances and deposits pledged / designated	(2,989)	(2,768)
Cash and cash equivalents at end of period	<u>19,067</u>	<u>58,967</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 31 DECEMBER 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 31 DECEMBER 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 31 DECEMBER 2017 (contd.)**

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

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

a) 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>

b) Impairment & Loss in Fair Value

During the financial year 2017, the Group has undertaken a valuation exercise on its property investment asset and on its land held for development. In addition to that the Group also has reviewed the carrying value of its intangible asset.

The net impact of the impairment and adjustment to the fair values is as follows.

	RM'000
Fair value loss in investment property	(12,000)
Impairment of Intangible Asset (Goodwill-property)	(6,000)
Impairment in land	(6,592)
Total	<u>(24,592)</u>

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017 (contd.)**

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

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

c) Provision for liability - Liquidated Ascertain Damages (“LAD”)

The provision is in respect of estimated delay damages for property development project undertaken by the Group. Amount recognised based on percentage of completion and to be charge to the statement of profit or loss.

The movement is as follows:-

	RM'000
At 1 January 2017	30,326
Additions	41,390
Repayment	<u>(6,940)</u>
At 31 December 2017	<u>64,776</u>

Up-to-date, the affected projects have been completed and the maximum exposure of LAD has been reflected into the provision above.

A6. Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities for the quarter ended 31 December 2017 except for the following:

a) Treasury shares

As at 31 December 2017, the total number of treasury shares held was 386,000.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017 (contd.)**

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

A6. Debt and equity securities (contd.)

b) Sukuk Murabahah

Total repayment of Sukuk Murabahah's principal and profit payment amounting to RM138.0mil had been remitted in the financial year 2017 whereas the next principal and profit payment amounting to RM67.0 million is scheduled in May 2018.

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 20 for more elaboration on the Private Placement proposal.

A7. Dividend paid

No dividend was paid during the quarter ended 31 December 2017.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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 31 December 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	-	89,282	209,680	6,064	8,430	(516)	-	312,939
Inter-segment	10,663	-	-	1,396	-	-	(12,059)	-
Total Revenue	10,663	89,282	209,680	7,458	8,430	(516)	(12,059)	312,939
Results:								
Segment results	(10,216)	88,235	(178)	(13,598)	211	(3,720)	18	60,751
Interest income	2,622	4,311	9,979	4	15	10	(10,736)	6,205
Interest expense	(2,665)	(89,126)	(8,425)	(8,243)	-	(118)	10,736	(97,841)
Depreciation and amortisation	(557.27)	-	(77)	(120)	(2)	(2)	(101)	(860)
Profit/(Loss) before tax	(10,817)	3,419	1,299	(21,958)	224	(3,830)	(84)	(31,745)

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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 31 December 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 31 December 2017 up to the date of this report.

A11. Changes in contingent liabilities

	31.12.2017	31.12.2016
	RM'000	RM'000
		(Audited)
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	5,836	19,500
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	-	1,800
Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries	-	200
	<u>5,835</u>	<u>21,500</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 31 DECEMBER 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 (4Q17 vs. 4Q16).

The Group's quarterly revenue of RM106.8million is 27% lower than the previous year's quarter due to the following:-

- i) Lower on-going projects compared to the previous quarter;
- ii) Reduced sales of properties from the current project; and
- iii) No improvement to the number of tenancies for the Encorp Strand Mall

Correspondingly profitability is affected, resulting with a Loss Before taxation of RM32.3million compared to the previous quarter's profit of RM19.5million. The decrease is further exacerbated by the following provisions:-

- i) Liquidated ascertained damages arising from a project amounting to RM46million;
- ii) Impairment of goodwill for a subsidiary company of RM6.0million
- iii) Impairment to the fair value of properties of RM18.6million

Further details of the performance are available under the segment review below.

Property Development

The division recorded revenue of RM81.0 million for the 4Q17, as compared to RM113.5 million in the 4Q16. This is a 29% or RM32.5 million decrease as compared to the corresponding quarter. The profit before tax for the division similarly has also decreased from RM31.3 million in 4Q16 to a loss before tax of RM4.0 million in 4Q17 which represents a 113% or RM35.3 million decrease.

The decrease in revenue is due to the reduce contribution from the decrease in on-going projects as compared to the comparative quarter. The decrease in profit before tax to a loss before tax position by the division is mainly from the loss in fair value of its property investment asset and from the loss in fair value on the land held for development.

Investment Property

The revenue for investment property for 4Q17 is RM1.4 million as compared to RM2.7 million for 4Q16. This is a decrease of RM1.3 million or a 48% decrease in comparison to the corresponding quarter. The decrease in revenue is due to the concession given to tenants in order to attract and increase occupancy.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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
(4Q17 vs. 4Q16) (contd.)**

Investment Property

The revenue for investment property for 4Q17 is RM1.4 million as compared to RM2.7 million for 4Q16. This is a decrease of RM1.3 million or a 48% decrease in comparison to the corresponding quarter. The decrease in revenue is due to the concession given to tenants in order to attract and increase occupancy.

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 RM21.9 million in 4Q17 as compared to revenue of RM23.0 million respectively in 4Q16.

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 RM2.1 million and a loss before tax of RM141 thousand as compared to 4Q16 with revenue of RM2.0 million and loss before tax of RM8 thousand.

This is an increase of 5% in revenue and is due to the additional facilities management contract the division has secured. The increase in loss before tax of RM133 thousand or by 1663% is due to the increase in administrative cost incurred within this quarter.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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
(12M17 vs. 12M16) (contd.)**

The Group's current financial year period revenue of RM312.9million is 13% lower than the previous financial year due to the following:-

- i) No new project or lesser on-going projects compared to the previous quarter;
- ii) Reduced sales of properties from the current project; and
- iii) No improvement to the number of tenancies for the Encorp Strand Mall

Correspondingly profitability is affected, resulting with a Loss Before taxation of RM31.7million compared to the previous financial year's profit of RM41.8million. The decrease is further exacerbated by the following provisions:-

- i) Liquidated ascertained damages arising from a project amounting to RM46million;
- ii) Impairment of goodwill for a subsidiary company of RM6.0million
- iii) Impairment to the fair value of properties of RM18.6million

Property Development

The revenue of the Property Development Division is RM209.7 million for 12M17 as compared to revenue of RM241.9 million for 12M16. The profit before tax of the division for the 12M17 is RM1.3 million as compared to the profit before tax of RM62.0 million in 12M16.

The decrease in revenue of RM32.2 million or 13% for the comparative periods is due to the decrease in on-going projects. The decrease in profit before tax however of RM60.7 million or 98% 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 twelve months in 2017. The decrease in the profit before tax is also due to the loss in fair value for its land held for development.

Investment Property

The revenue for 12M17 for the division is RM6.1 million as compared to revenue for 12M16 of RM7.2 million. This represents a decrease of 15% or RM1.1 million. The decrease in revenue is due to the concession given to the tenants as a result of the management's continuous effort in rebranding and reposition the shopping mall.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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
(12M17 vs. 12M16) (contd.)**

Concessionaire

The concession division recorded revenue of RM89.3 million for the period 12M17 and a profit before tax of RM3.4 million whereas for the period 12M16 revenue is RM93.8 million and profit before tax is RM3.3 million.

Facilities Management

For the period 12M17 the facilities management division recorded revenue of RM8.4 million and profit before tax of RM0.2 million. However for the period 12M16 the division's revenue is RM8.2 million and profit before tax is RM0.5 million.

The increase in revenue of RM0.2 million or by 2% is due to the additional facilities management contract the division has secured. The decrease in profit before tax however of RM0.3 million or 60% is due to the increase in administrative cost for the 12M17 as compared to 12M16.

B2. Comparison with Immediate Preceding Quarter

Revenue for the Group for 4Q17 is RM106.3 million compared to revenue for 3Q17 of RM56.4 million. This is an increase of RM49.9 million or by 88% and the increase in revenue is from the property division as there is an increase in work progress for a project from the property development division as the project was nearing its completion.

The loss before tax for 4Q17 is RM32.3 million against the loss before tax for 3Q17 of RM20.8 million. The decrease between the two quarters is RM11.5 million or 55% and is because of the loss in fair value for its assets and the impairment to the intangible asset.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017 (contd.)**

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

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.

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.

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 positive response for the project.

Additionally subsequent to the year end, Encorp Marina Puteri Harbour project in Johor was completed on the 25th January 2018.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017 (contd.)**

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

B4. Variance from forecast profit and profit guarantee

Not applicable.

B5. Income tax expense

	Quarter ended		Year-to-date ended	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Income tax	5,443	10,951	15,730	(375)
Deferred tax	(5,931)	(14,833)	(18,864)	(13,312)
	<u>(488)</u>	<u>(3,882)</u>	<u>(3,134)</u>	<u>(13,687)</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 31 December 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 31 December 2017.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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 31.12.2017	
	Current RM'000	Non-current RM'000
Secured		
Sukuk Murabahah	54,708	841,275
Term loan	13,501	67,836
Obligations under finance leases and hire purchases	22	-
Revolving credit	40,850	-
Bank overdraft	730	-
	<u>109,812</u>	<u>909,111</u>

B10. Changes in material litigation

The Group has no outstanding material litigation for the financial period ended 31 December 2017.

B11. Dividends

The Board of Directors did not recommend any dividend for the quarter ended 31 December 2017.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2017 (contd.)**

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

B12. Profit for the period

	Quarter ended 31.12.2017 RM'000	Year-to-date ended 31.12.2017 RM'000
The profit/loss is arrived at after charging/(crediting):		
a) Interest income	(1,468)	(6,205)
b) Other income	(186)	(3,679)
c) Interest expense	49,144	97,841
d) Depreciation and amortisation	431	860
e) Employee benefits	6,801	14,332
g) Reversal of allowance of doubtful debts	(2,349)	(2,321)
h) Gain on disposal of land	-	(2,141)
i) Unrealised loss on foreign exchange	1,168	945
j) Fair value gain on investment property	(1,839)	(1,839)
k) Fair value loss on investment property	12,000	12,000
l) Impairment on goodwill	6,000	6,000
m) Impairment on land	6,592	6,592
n) Provision for liquidated ascertain damages	10,348	41,390
o) Operating lease		
- premises	1,094	2,110
- equipment	135	241
- others	6	15
	<u>6</u>	<u>15</u>

B13. Retained Earnings

	As at 31.12.2017 RM'000	As at 31.12.2016 (Audited) RM'000
Group		
Realised	135,511	188,432
Unrealised	157,933	140,508
	<u>293,445</u>	<u>328,940</u>
Consolidation adjustments	(284,662)	(289,741)
Total retained earnings	<u>8,781</u>	<u>39,199</u>

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to owners of the parent	(28,217)	16,638	(30,418)	28,405
Weighted average number of ordinary shares in issue	283,428	278,648	283,428	278,648
Basic EPS (sen)	(9.96)	5.97	(10.73)	10.19

b) Diluted EPS

At the date of this report 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 February 2018.

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

Lee Lay Hong
Company Secretary

23 February 2018