



(506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER 30 JUNE 2018**

| | Quarter ended | | Year-to-date ended | |
|---|---------------|--------------------------|--------------------|--------------------------|
| | 30.06.2018 | 30.06.2017 (Restated) | 30.06.2018 | 30.06.2017 (Restated) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 42,908 | 84,912 | 100,660 | 157,985 |
| Cost of sales | (9,997) | (38,736) | (28,538) | (76,422) |
| Gross profit | 32,911 | 46,176 | 72,122 | 81,563 |
| Other income | 2,430 | (806) | 3,901 | 5,808 |
| Selling and marketing expenses | (40) | (1,606) | (240) | (3,338) |
| Administrative expenses | (5,729) | (7,299) | (16,677) | (14,974) |
| Finance costs | (22,921) | (24,352) | (45,501) | (48,697) |
| Other expenses | (217) | (214) | (433) | (429) |
| Profit before tax | 6,434 | 11,899 | 13,172 | 19,933 |
| Income tax expense | (1,791) | (4,577) | (5,766) | (6,934) |
| Profit net of tax | 4,643 | 7,322 | 7,406 | 12,999 |
| Other comprehensive income/(loss) | | | | |
| Foreign currency translation | (93) | 944 | 1,486 | 141 |
| Total comprehensive income for the year | 4,550 | 8,266 | 8,892 | 13,140 |
| Profit/(Loss) attributable to: | | | | |
| Owners of the parent | 4,713 | 6,639 | 8,222 | 12,494 |
| Non-controlling interest | (70) | 683 | (816) | 505 |
| | 4,643 | 7,322 | 7,406 | 12,999 |
| Total comprehensive income/(loss) attributable to: | | | | |
| Owners of the parent | 4,620 | 7,583 | 9,708 | 12,635 |
| Non-controlling interest | (70) | 683 | (816) | 505 |
| | 4,550 | 8,266 | 8,892 | 13,140 |
| Earnings per share attributable to owner of the parent (sen) | | | | |
| Basic | 1.60 | 2.38 | 2.80 | 4.48 |

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 2017 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

| | As at 30.06.2018 | As at 31.12.2017 (Restated) | As at 01.01.2017 (Restated) |
|--|---------------------|-----------------------------------|-----------------------------------|
| | RM'000 | RM'000 | RM'000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 5,936 | 6,258 | 6,878 |
| Intangible assets | 18,784 | 18,875 | 25,042 |
| Investment properties | 314,740 | 314,740 | 325,130 |
| Investment in associate | 30 | 30 | - |
| Land held for property development | 389,089 | 385,469 | 293,836 |
| Trade and other receivables | 788,640 | 814,222 | 866,693 |
| Other investments | 4,477 | 4,741 | 4,857 |
| Deferred tax assets | 23,639 | 9,548 | 9,774 |
| | <u>1,545,335</u> | <u>1,553,883</u> | <u>1,532,210</u> |
| Current assets | | | |
| Property development costs | 156,941 | 150,662 | 236,587 |
| Inventories | 98,041 | 101,687 | 100,132 |
| Tax recoverable | 5,648 | 11,823 | 5,185 |
| Trade and other receivables | 127,618 | 92,816 | 134,664 |
| Other current assets | 7,746 | 96,057 | 48,873 |
| Other investments | 114,952 | 118,331 | 113,267 |
| Cash and bank balances | 51,982 | 22,689 | 62,843 |
| | <u>562,928</u> | <u>594,065</u> | <u>701,551</u> |
| Asset of disposal group classified as held for sale | 97 | 97 | 23,087 |
| | <u>563,025</u> | <u>594,162</u> | <u>724,638</u> |
| Total assets | <u>2,108,360</u> | <u>2,148,045</u> | <u>2,256,848</u> |

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018 (contd.)**

| | As at 30.06.2018 | As at 31.12.2017 (Restated) | As at 01.01.2017 (Restated) |
|--|---------------------|-----------------------------------|-----------------------------------|
| | RM'000 | RM'000 | RM'000 |
| Equity and liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 244,216 | 233,082 | 209,277 |
| Other current liabilities | 64,904 | 102,924 | 30,326 |
| Loans and borrowings | 109,465 | 109,812 | 141,623 |
| Income tax payable | 12,184 | 1,400 | 2,692 |
| | <u>430,769</u> | <u>447,218</u> | <u>383,918</u> |
| Liabilities directly associated with disposal group classified as held for sale | 947 | 945 | 934 |
| | <u>431,716</u> | <u>448,163</u> | <u>384,852</u> |
| Non-current liabilities | | | |
| Trade and other payables | 300,707 | 300,610 | 334,434 |
| Loans and borrowings | 877,226 | 909,112 | 1,017,041 |
| Deferred tax liabilities | 2,569 | 2,910 | 3,538 |
| | <u>1,180,502</u> | <u>1,212,632</u> | <u>1,355,013</u> |
| Total liabilities | <u>1,612,218</u> | <u>1,660,795</u> | <u>1,739,865</u> |
| Equity attributable to owners of parent | | | |
| Share capital | 392,898 | 392,898 | 278,648 |
| Share premium | - | - | 104,302 |
| Treasury shares | (327) | (327) | (327) |
| Other reserves | 2,550 | 1,064 | 180 |
| Retained earnings | 15,436 | 7,214 | 43,318 |
| | <u>410,557</u> | <u>400,849</u> | <u>426,121</u> |
| Non-controlling interest | 85,585 | 86,401 | 90,862 |
| Total equity | <u>496,142</u> | <u>487,250</u> | <u>516,983</u> |
| Total equity and liabilities | <u>2,108,360</u> | <u>2,148,045</u> | <u>2,256,848</u> |
| Net assets per share attributable to owner of the parents (RM/share) | <u>1.40</u> | <u>1.41</u> | <u>1.53</u> |

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 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 2018**

| | ← Non-distributable → | | | | Distributable | | | |
|---|----------------------------|----------------------------|------------------------------|---------------------------------------|------------------------------|-----------------|---|---------------------------|
| | Share capital RM'000 | Share premium RM'000 | Treasury shares 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 2018 (Restated) | 392,898 | - | (327) | 1,064 | 7,214 | 400,849 | 86,401 | 487,250 |
| Total comprehensive income for the period | - | - | - | - | 8,222 | 8,222 | (816) | 7,406 |
| Other comprehensive income | - | - | - | 1,486 | - | 1,486 | - | 1,486 |
| At 30 June 2018 | 392,898 | - | (327) | 2,550 | 15,436 | 410,557 | 85,585 | 496,142 |
| At 1 January 2017 | 278,648 | 104,302 | (327) | 180 | 39,199 | 422,002 | 90,862 | 512,864 |
| Effect of the first-time adoption of MFRS | - | - | - | - | 4,119 | 4,119 | - | 4,119 |
| At 1 January 2017 (Restated) | 278,648 | 104,302 | (327) | 180 | 43,318 | 426,121 | 90,862 | 516,983 |
| Total comprehensive income for the period | - | - | - | - | 12,494 | 12,494 | 505 | 12,999 |
| Other comprehensive income | - | - | - | 141 | - | 141 | - | 141 |
| Transaction with owners: | | | | | | | | |
| Transfer arising from "no par value" regime | 104,302 | (104,302) | - | - | - | - | - | - |
| At 30 June 2017 (Restated) | 382,950 | - | (327) | 321 | 55,812 | 438,756 | 91,367 | 530,123 |

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2018**

| | Year-to-date ended | |
|---|--------------------|--------------------------|
| | 30.06.2018 | 30.06.2017 (Restated) |
| | RM'000 | RM'000 |
| Cash flows from operating activities | | |
| Profit before taxation | 13,172 | 19,933 |
| Adjustments: | | |
| Depreciation | 342 | 337 |
| Amortisation of intangible assets | 91 | 92 |
| Interest expenses | 45,501 | 48,697 |
| Gain on disposal of investment security | (108) | (275) |
| Distribution income from money market investment security | (1,954) | (1,736) |
| Interest income | (563) | (844) |
| Gain on disposal of land | - | (2,141) |
| Allowance for impairment on other receivables | - | 28 |
| Reversal of provision for liquidated and ascertained damages | (14,824) | - |
| Unrealized loss/(gain) on forex | 2,893 | (223) |
| Operating profit before working capital changes | 44,550 | 63,868 |
| Changes in working capital: | | |
| Net changes in current assets | 79,844 | 46,182 |
| Net changes in current liabilities | (11,964) | (21,843) |
| Net changes in land held for property development and property development cost | (9,899) | 9,990 |
| Cash generated from operations: | 102,531 | 98,197 |
| Income tax paid | (3,239) | (3,566) |
| Interest paid | (3,672) | (4,134) |
| Net cash generated from operating activities | 95,620 | 90,497 |
| Cash flows from investing activities | | |
| Interest received | 563 | 1,119 |
| Purchase of property, plant and equipment | (19) | (23) |
| Investment in joint venture | - | (30) |
| Proceeds from disposal of land | - | 25,000 |
| Distribution income received | 1,954 | 1,736 |
| Withdrawal/(Placement in) of investment security | 3,751 | (824) |
| Net cashflow generated from/(used in) investing activities | 6,249 | 26,978 |

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

| | Year-to-date ended | |
|--|--------------------|--------------------------|
| | 30.06.2018 | 30.06.2017 (Restated) |
| | RM'000 | RM'000 |
| Cash flows from financing activities | | |
| Repayment of loans & borrowing | (7,010) | (51,439) |
| Repayment of Sukuk Murabahah | (67,030) | (69,030) |
| Withdrawal of deposits pledged | 279 | - |
| Drawdown from loans and borrowings | - | 2,626 |
| Net payment in finance lease payables | (22) | (21) |
| | <u>(73,783)</u> | <u>(117,864)</u> |
| Net cashflow used in financing activities | | |
| Net decrease in cash and cash equivalents | 28,086 | (389) |
| Effect of exchange rate changes | 1,486 | 150 |
| Cash and cash equivalents at beginning of period | 19,242 | 58,967 |
| Cash and cash equivalents at end of period | <u>48,814</u> | <u>58,728</u> |
| Cash and cash equivalents comprise the followings: | | |
| Cash deposits placed with: | | |
| - Licensed banks | 2,830 | 2,838 |
| - Licensed corporation | 30 | 111 |
| Cash and bank balances | <u>49,122</u> | <u>59,368</u> |
| | 51,982 | 62,317 |
| Add: Disposal group held for sale | 97 | 228 |
| Less: Bank overdrafts | (405) | (1,046) |
| Bank balances and deposits pledged / designated | <u>(2,860)</u> | <u>(2,771)</u> |
| Cash and cash equivalents at end of period | <u>48,814</u> | <u>58,728</u> |

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018**

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of preparation

This condensed consolidated interim financial statements (“Condensed Report”) has been prepared in accordance with the requirements of MFRS 134 Interim Financial Reporting, paragraph 9.22 of the main market Listing Requirements of Bursa Malaysia Securities Berhad and the Companies Act 2016 in Malaysia that has become effective on 31 January 2017.

This Condensed Report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. 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 2017.

The Group with effect from 1 January 2018 has adopted the MFRS framework issued by the Malaysian Accounting Standards Board (“MASB”). This MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs.

This Condensed Report which is covered by the MFRS framework and have applied the MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards. Comparative figures, where applicable, have been restated as result of transition to MFRS framework. The financial effects of transition to the MFRS framework and any consequential changes in accounting policies as a result of the transition are presented on page 9 to page 12 of this report.

The 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 Malaysian Financial Reporting Standard (“MFRS”) 9 Financial Instrument: Recognition and Measurement.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

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 2017, except for the following new MFRSs, Amendments to MFRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2018.

a) Standards Amendments and Annual Improvement to standards effective for the financial periods beginning on or after 1 January 2018

| Description | Effective for annual periods beginning on or after |
|---|---|
| MFRS 9 Financial Instruments (IFRS 9 as issued by IASB) | 1 January 2018 |
| MFRS 15 Revenue from Contracts with Customers (and the related Clarifications) | 1 January 2018 |
| Amendments to MFRS 2 Clarification and Measurement of Share-based Payment Transactions | 1 January 2018 |
| Amendments to MFRS 4 Applying FRS 9 Financial Instruments with MFRS 4 Insurance Contracts | 1 January 2018 |
| Amendments to MFRS 140 Transfers of Investment Property | 1 January 2018 |
| Amendments to MFRSs Annual Improvements to MFRS 2014 - 2016 | 1 January 2018 |

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

| Description | Effective for annual periods beginning on or after |
|--|---|
| MFRS 16 Leases | 1 January 2019 |
| Amendments to MFRS 9 Prepayment Features with Negative Compensation | 1 January 2019 |
| Amendments to MFRS 128 Long-term Interests in Associates and Joint-Ventures | 1 January 2019 |
| IC Interpretation 23 Uncertainty over Income Tax Payments | 1 January 2021 |
| MFRS 17 Insurance Contracts | 1 January 2021 |
| Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be announced |

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

A3. Effect of the transition to the MFRS framework

The financial impacts to the condensed report from the adoption of MFRSs are disclosed in the following tables.

a) Reconciliation of statement of comprehensive income

| | Quarter ended 30.06.2017 | Effect of Adoption of MFRS | Quarter ended 30.06.2017 (Restated) | Year-to-date ended 30.06.2017 | Effect of Adoption of MFRS | Year-to-date ended 30.06.2017 (Restated) |
|---|-----------------------------|----------------------------------|---|-------------------------------------|----------------------------------|---|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 80,066 | 4,846 | 84,912 | 150,211 | 7,774 | 157,985 |
| Cost of sales | (36,080) | (2,656) | (38,736) | (67,469) | (8,953) | (76,422) |
| Gross profit | 43,986 | 2,190 | 46,176 | 82,742 | (1,179) | 81,563 |
| Other income | (806) | - | (806) | 5,808 | - | 5,808 |
| Selling and marketing expenses | (1,366) | (240) | (1,606) | (3,062) | (276) | (3,338) |
| Administrative expenses | (7,299) | - | (7,299) | (14,974) | - | (14,974) |
| Finance costs | (24,352) | - | (24,352) | (48,697) | - | (48,697) |
| Other expenses | (214) | - | (214) | (429) | - | (429) |
| Profit before tax | 9,949 | 1,950 | 11,899 | 21,388 | (1,455) | 19,933 |
| Income tax expense | (4,109) | (468) | (4,577) | (7,283) | 349 | (6,934) |
| Profit net of tax | 5,840 | 1,482 | 7,322 | 14,105 | (1,106) | 12,999 |
| Other comprehensive income | | | | | | |
| Foreign currency translation | 944 | - | 944 | 141 | - | 141 |
| Total comprehensive income for the year | 6,784 | 1,482 | 8,266 | 14,246 | (1,106) | 13,140 |
| Profit/(Loss) attributable to: | | | | | | |
| Owners of the parent | 5,157 | 1,482 | 6,639 | 13,600 | (1,106) | 12,494 |
| Non-controlling interest | 683 | - | 683 | 505 | - | 505 |
| | 5,840 | 1,482 | 7,322 | 14,105 | (1,106) | 12,999 |
| Total comprehensive income/(loss) attributable to: | | | | | | |
| Owners of the parent | 6,101 | 1,482 | 7,583 | 13,741 | (1,106) | 12,635 |
| Non-controlling interest | 683 | - | 683 | 505 | - | 505 |
| | 6,784 | 1,482 | 8,266 | 14,246 | (1,106) | 13,140 |

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

A3. Effect of the transition to the MFRS framework (contd.)

b) Reconciliation of statement of financial position

| | As at 31.12.2017 (Audited) RM'000 | Effect of Adoption of MFRS RM'000 | As at 31.12.2017 (Restated) RM'000 | As at 01.01.2017 (Audited) RM'000 | Effect of Adoption of MFRS RM'000 | As at 01.01.2017 (Restated) RM'000 |
|--|--|--|---|--|--|---|
| Assets | | | | | | |
| Non-current assets | | | | | | |
| Property, plant and equipment | 6,258 | - | 6,258 | 6,878 | - | 6,878 |
| Intangible assets | 18,875 | - | 18,875 | 25,042 | - | 25,042 |
| Investment properties | 314,740 | - | 314,740 | 325,130 | - | 325,130 |
| Investment in associate | 30 | - | 30 | - | - | - |
| Land held for property development | 385,469 | - | 385,469 | 293,836 | - | 293,836 |
| Trade and other receivables | 814,222 | - | 814,222 | 866,693 | - | 866,693 |
| Other investments | 4,741 | - | 4,741 | 4,857 | - | 4,857 |
| Deferred tax assets | 9,548 | - | 9,548 | 9,774 | - | 9,774 |
| | 1,553,883 | - | 1,553,883 | 1,532,210 | - | 1,532,210 |
| Current assets | | | | | | |
| Property development costs | 157,082 | (6,420) | 150,662 | 235,888 | 699 | 236,587 |
| Inventories | 101,687 | - | 101,687 | 100,132 | - | 100,132 |
| Tax recoverable | 10,067 | 1,756 | 11,823 | 5,185 | - | 5,185 |
| Trade and other receivables | 92,816 | - | 92,816 | 134,664 | - | 134,664 |
| Other current assets | 91,534 | 4,523 | 96,057 | 44,152 | 4,721 | 48,873 |
| Other investments | 118,331 | - | 118,331 | 113,267 | - | 113,267 |
| Cash and bank balances | 22,689 | - | 22,689 | 62,843 | - | 62,843 |
| | 594,206 | (141) | 594,065 | 696,131 | 5,420 | 701,551 |
| Asset of disposal group classified as held for sale | 97 | - | 97 | 23,087 | - | 23,087 |
| | 594,303 | (141) | 594,162 | 719,218 | 5,420 | 724,638 |
| Total assets | 2,148,186 | (141) | 2,148,045 | 2,251,428 | 5,420 | 2,256,848 |

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

A3. Effect of the transition to the MFRS framework (contd.)

b) Reconciliation of statement of financial position (contd.)

| | As at 31.12.2017 (Audited) RM'000 | Effect of Adoption of MFRS RM'000 | As at 31.12.2017 (Restated) RM'000 | As at 01.01.2017 (Audited) RM'000 | Effect of Adoption of MFRS RM'000 | As at 01.01.2017 (Restated) RM'000 |
|--|--|--|---|--|--|---|
| Equity and liabilities | | | | | | |
| Current liabilities | | | | | | |
| Trade and other payables | 233,082 | - | 233,082 | 209,277 | - | 209,277 |
| Other current liabilities | 102,924 | - | 102,924 | 30,326 | - | 30,326 |
| Loans and borrowings | 109,812 | - | 109,812 | 141,623 | - | 141,623 |
| Income tax payable | 99 | 1,301 | 1,400 | 1,391 | 1,301 | 2,692 |
| | <u>445,917</u> | 1,301 | <u>447,218</u> | <u>382,617</u> | 1,301 | <u>383,918</u> |
| Liabilities directly associated with disposal group classified as held for sale | 945 | - | 945 | 934 | - | 934 |
| | <u>446,862</u> | 1,301 | <u>448,163</u> | <u>383,551</u> | 1,301 | <u>384,852</u> |
| Non-current liabilities | | | | | | |
| Trade and other payables | 300,610 | - | 300,610 | 334,434 | - | 334,434 |
| Loans and borrowings | 909,112 | - | 909,112 | 1,017,041 | - | 1,017,041 |
| Deferred tax liabilities | 2,910 | - | 2,910 | 3,538 | - | 3,538 |
| | <u>1,212,632</u> | - | <u>1,212,632</u> | <u>1,355,013</u> | - | <u>1,355,013</u> |
| Total liabilities | <u>1,659,494</u> | 1,301 | <u>1,660,795</u> | <u>1,738,564</u> | 1,301 | <u>1,739,865</u> |

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

A3. Effect of the transition to the MFRS framework (contd.)

b) Reconciliation of statement of financial position (contd.)

| | As at 31.12.2017 (Audited) RM'000 | Effect of Adoption of MFRS RM'000 | As at 31.12.2017 (Restated) RM'000 | As at 01.01.2017 (Audited) RM'000 | Effect of Adoption of MFRS RM'000 | As at 01.01.2017 (Restated) RM'000 |
|--|--|--|---|--|--|---|
| Equity attributable to owners of parent | | | | | | |
| Share capital | 392,898 | - | 392,898 | 278,648 | - | 278,648 |
| Share premium | - | - | - | 104,302 | - | 104,302 |
| Treasury shares | (327) | - | (327) | (327) | - | (327) |
| Other reserves | 1,064 | - | 1,064 | 180 | - | 180 |
| Retained earnings | 8,656 | (1,442) | 7,214 | 39,199 | 4,119 | 43,318 |
| | 402,291 | (1,442) | 400,849 | 422,002 | 4,119 | 426,121 |
| Non-controlling interest | 86,401 | - | 86,401 | 90,862 | - | 90,862 |
| Total equity | 488,692 | (1,442) | 487,250 | 512,864 | 4,119 | 516,983 |
| Total equity and liabilities | 2,148,186 | (141) | 2,148,045 | 2,251,428 | 5,420 | 2,256,848 |

c) Reconciliation of statement of cash flows

There is no material difference between the statement of cash flows presented under MFRS Framework and statement of cash flows presented under FRS.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

A4. Auditors' Report on Preceding Annual Financial Statements

The Group's latest audited financial statements for the financial year ended 31 December 2017 were not subject to any qualification.

A5. Comments about seasonal or cyclical factors

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

A6. Unusual items due to their nature, size or incidence

Unrealised foreign exchange loss

Included in the results is an unrealised foreign exchange loss of RM2.9 million. This unrealised loss is from the weakening of the Australian dollar against the Malaysian Ringgit on the translation of the amount due from a foreign subsidiary.

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 2018 except for the following:

a) Treasury shares

As at 30 June 2018, 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 RM67.0mil had been remitted in May 2018 whereas the next principal and profit payment amounting to RM72.0 million is scheduled in Nov 2018.

The Sukuk Murabahah was issued in May 2012 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' Reimbursement Account.

The Sukuk Murabahah is secured by the assignment of the contract Concession Payments, a debenture to create a first ranking fixed and floating charge over all present and future assets of the subsidiary and a first ranking charge and assignment of the designated accounts which include an Escrow Account and a Finance Service Reserve Account. ESSB is a special purpose vehicle and these Sukuk Murabahah raised do not have any financial recourse to the Group.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

A6. Debt and equity securities (cont'd)

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 22 for further elaboration on the private placement proposal.

A7. Dividend paid

No dividend was paid during the quarter ended 30 June 2018.

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ENCORP BERHAD (506836-X)
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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

A8. Segmental information

The Group's segment revenue and results are presented by industry segments for the quarter ended 30 June 2018 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 | - | 42,807 | 50,296 | 2,995 | 4,562 | - | - | 100,660 |
| Inter-segment | 3,696 | - | - | 698 | - | - | (4,394) | - |
| Total Revenue | 3,696 | 42,807 | 50,296 | 3,693 | 4,562 | - | (4,394) | 100,660 |
| Results: | | | | | | | | |
| Segment results | (5,094) | 42,121 | 17,521 | 181 | 450 | (1,384) | 2,686 | 56,481 |
| Interest income | 1,441 | 2,104 | 5,177 | 1 | 5 | 1 | (6,104) | 2,625 |
| Interest expense | (1,147) | (41,829) | (3,885) | (4,708) | - | (36) | 6,104 | (45,501) |
| Depreciation and amortisation | (281) | - | (38) | (60) | (2) | (1) | (51) | (433) |
| Profit/(Loss) before tax | (5,081) | 2,396 | 18,775 | (4,586) | 453 | (1,420) | 2,635 | 13,172 |

* 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 2018 (contd.)**

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

A9. Material events subsequent to the balance sheet date

There was no material events subsequent to the financial period ended 30 June 2018 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 2018 up to the date of this report.

A11. Changes in contingent liabilities

| | 30.06.2018 | 30.06.2017 |
|---|-------------------|-------------------|
| | RM'000 | RM'000 |
| Contingent liabilities: | | |
| Corporate guarantee given to banks for credit facilities granted to subsidiaries | 3,755 | 5,409 |
| 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>3,755</u> | <u>6,857</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 2018 (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
(2Q18 vs. 2Q17)**

The Group's quarterly revenue of RM42.9 million is 49% lower than the previous year's quarter's revenue of RM84.9 million due to lower revenue from most of the segments.

The profit before tax for 2Q18 of RM6.4 million is lower than the profit before tax for 2Q17 of RM11.9 million by RM5.5 million mainly due to lower revenue achieved during the current quarter.

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

Property Development

The division recorded revenue of RM17.8 million for the quarter 2Q18, as compared to revenue of RM58.4 million in 2Q17 due to the completion of the Encorp Marina Project in the previous quarter and the completion of the Akasia 1 project in the previous year. Additionally the current on-going property development project is at its initial stage hence the revenue contribution from the project is not significant.

Correspondingly, the profit before tax for the division has also decrease from RM15.1 million in 2Q17 to RM8.4 million in 2Q18 which represents a 44% or RM6.7 million decrease.

Investment Property

The revenue for investment property for 2Q18 is RM1.5 million as compared to RM1.8 million for 2Q17. The lower revenue achieved for the division is due to lower promotional income and higher rental rebate granted.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (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
(2Q18 vs. 2Q17) (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 RM21.2 million in 2Q18 as compared to revenue of RM22.5 million respectively in 2Q17.

Facilities Management

For the quarter under review, the division recorded revenue of RM2.4 million and a profit before tax of RM0.3 million as compared to 2Q17 with revenue of RM2.2 million and profit before tax of RM0.2 million.

The increase of 9% or RM0.2 million in revenue and an increase of 50% in profit before tax are due to the additional facilities management contract the division has secured as compared to the previous corresponding quarter.

**b) Performance of the current financial period against the preceding year financial period
(6M18 vs. 6M17)**

For the six month period ended 30 June 2018 ('6M18'), the Group achieved revenue of RM100.7 million which is RM57.3 million or 36% lower than the revenue recorded in six month period ended in 30 June 2017 ('6M17') of RM158.0 million due to lower contribution of revenue from most of the segments.

Correspondingly profitability is affected, resulting with a profit before taxation of RM13.2 million compared to the previous six months profit of RM19.9 million.

The decrease is further exacerbated by the unrealised foreign exchange loss of RM2.9 million on the translation of the amount due from a foreign subsidiary because of the weakening of the Australian Dollar.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (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
(6M18 vs. 6M17)(contd.)**

Property Development

The revenue for the division for 6M18 is RM50.3 million as compared to the revenue for 6M17 is RM105.3 million. The profit before tax for 6M18 is RM18.8 million and the profit before tax for 6M17 is RM22.9 million.

The decrease in revenue is due to the completion of the Encorp Marina project and Akasia 1 project. In addition, the current on-going project is still at its initial stage thus the revenue contribution from this new project is not yet significant.

Investment Property

The revenue for this division for 6M18 is RM3.0 million as compared to the revenue of RM3.2 million in 6M17. This decrease of RM0.2 million or 6% is due to lower marketing income and high rental rebate granted.

Concessionaire

The revenue for the 6M18 for this division is RM42.8 million and profit before tax is RM2.4 million. The revenue however for 6M17 is RM45.2 million and the profit before tax is RM2.0 million.

Facilities Management

For the period of 6M18 the division has recorded revenue of RM4.6 million and a profit before tax of RM0.5 million as compared to revenue of RM4.3 million and profit before tax of RM0.3 million for 6M17. This is an increase in revenue of RM0.3 million or 7% and an increase in profitability of RM0.2 million or 67%.

The increase in performance is due to the additional facility management contract the division has secured in the 6M18.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

B2. Comparison with Immediate Preceding Quarter

The revenue for the Group for 2Q18 of RM42.9 million is lower by RM14.9 million as compared to revenue for 1Q18 of RM57.8 million. However, the profit before tax for 2Q18 of RM6.4 million is higher by RM0.3 million compared to the profit before tax for 1Q18 is RM6.7 million.

This decrease in revenue is mainly caused by lower revenue from the property development division due to the completion of the Encorp Marina project.

B3. Commentary on prospects

The outlook of the property sector is expected to remain challenging. With the possibility of a new national housing policy to be announce in September, investors and developers alike are opting for a 'wait and see' approach.

The High Speed Rail ('HSR') is expected to be a catalyst for the Bukit Katil project as the rail line and the Ayer Keroh station is situated in close proximity to the Bukit Katil land. With the recent developments after the conclusion of the general elections, the decision on the HSR project has yet to be finalised. The management is closely monitoring the status of the HSR project and is currently reviewing the project's position in anticipation of the HSR decision.

Despite the mixed outlook for the sector and concerns over an overhang in supply in certain sub-sectors of the property market, the Group will continue to strive to develop attractive products and to constantly innovate in this challenging environment. If all goes accordingly, the Group intends to roll out its next phase at its flagship development at Cahaya Alam early next year.

B4. Variance from forecast profit and profit guarantee

Not applicable.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

B5. Income tax expense

| | Quarter ended | | Year-to-date ended | |
|--------------|----------------|--------------------------|--------------------|--------------------------|
| | 30.06.2018 | 30.06.2017 (Restated) | 30.06.2018 | 30.06.2017 (Restated) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax | 6,336 | (4,188) | (20,198) | (5,981) |
| Deferred tax | (8,127) | (389) | 14,432 | (953) |
| | <u>(1,791)</u> | <u>(4,577)</u> | <u>(5,766)</u> | <u>(6,934)</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 2018.

B7. Purchase or disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial period ended 30 June 2018.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (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 that placement was RM0.65.

Bursa Securities has vide its letter dated 13 March 2018, approved the application for an extension of time until 23 September 2018 to complete the implementation of the Private Placement.

B9. Borrowings and debt securities

| | As at 30.06.2018 | |
|------------------|-------------------------|--------------------|
| | Current | Non-current |
| | RM'000 | RM'000 |
| Secured | | |
| Sukuk Murabahah | 54,709 | 816,075 |
| Term loan | 13,501 | 61,151 |
| Revolving credit | 40,850 | - |
| Bank overdraft | 405 | - |
| | <u>109,465</u> | <u>877,226</u> |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

B10. Changes in material litigation

Must Ehsan Development Sdn Bhd ('MEDSB') has on 5th July 2018, served a Notice to Arbitrate dated 4th July 2018 on Bumimetro Construction Sdn Bhd ('BCSB') to refer MEDSB's claims on liquidated damages for delay to complete the Project and for classic penalty against BCSB to arbitration, pursuant to the provisions of the Conditions of Contract.

MEDSB is the employer who has awarded BCSB, the main contractor for main building works construction project known as "Cadangan Satu Blok Pembangunan Bercampur (Fasa 4) Yang Mengandungi:- 1) 1 Tingkat Basement, 2) 3 Tingkat Pusat Membeli-Belah, 3) 5 Tingkat Tempat Letak Kereta, 4) 1 Tingkat Pusat Kemudahan Awam, 5) 34 Tingkat Pangsapuri Servis Di Atas Lot PB1, Pusat Bandar 1, Kota Damansara, Mukim Sungai Buloh, Daerah Petaling, Selangor Darul Ehsan".

The arbitration proceeding is commenced against BCSB to seek, among others, the following relief:

- a) MEDSB's claim of RM24,630,000.00 for liquidated damages;
- b) MEDSB's claim of RM2,320,346.77 for increased cost incurred for appointment of 3rd party contractors;
- c) MEDSB's claim of RM3,000,000.00 for classic penalty;
- d) General Damages;
- e) Interest;
- f) Costs; and
- g) Any further and other reliefs the Tribunal may deem appropriate.

Pending the outcome of the arbitrator's decision, it is too preliminary at this stage to ascertain the potential financial impact that could arise from the arbitration. The arbitration however should not have any material financial impact to the Encorp Group for the financial year ending 31 December 2018.

None of the directors and/or major shareholders of Encorp and/or persons connected with them has any interest, direct or indirect in the arbitration proceeding.

Details of the project, statement of claim and the development of the case can be found in the announcement dated 11th April 2018, 7th May 2018, 27th June 2018 and 6th July 2018.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

B11. Dividends

The Board of Directors did not recommend any dividend for the quarter ended 30 June 2018.

B12. Profit for the period

| | Quarter ended 30.06.2018 RM'000 | Year-to-date ended 30.06.2018 RM'000 |
|---|--|---|
| The profit/loss is arrived at after charging/(crediting): | | |
| a) Interest income | (1,301) | (2,625) |
| b) Other income | (1,130) | (1,276) |
| c) Interest expense | 22,921 | 45,501 |
| d) Depreciation and amortisation | 217 | 433 |
| e) Employee benefits | 1,010 | 5,126 |
| f) Unrealised loss on foreign exchange | (151) | 2,893 |
| g) Reversal of provision for liquidated ascertain damages | (8,265) | (14,823) |
| h) Operating lease | | |
| - premises | 525 | 1,052 |
| - equipment | 25 | 67 |
| - others | 14 | 22 |
| | <hr/> | <hr/> |

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2018 (contd.)**

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

B13. Earnings per share ("EPS")

a) Basic EPS

| | Quarter ended | | Year-to-date ended | |
|---|---------------|--------------------------|--------------------|--------------------------|
| | 30.06.2018 | 30.06.2017 (Restated) | 30.06.2018 | 30.06.2017 (Restated) |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit attributable to owners of the parent | 4,713 | 6,639 | 8,222 | 12,494 |
| Weighted average number of ordinary shares in issue | 293,952 | 278,648 | 293,952 | 278,648 |
| Basic EPS (sen) | 1.60 | 2.38 | 2.80 | 4.48 |

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.

B14. 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 29 August 2018.

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

Lee Lay Hong
Company Secretary

29 August 2018