



Company No. 200001004231 (506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2020**

**ENCORP BERHAD**

Company No. 200001004231(506836-X)  
(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER 30 JUNE 2020**

	Quarter ended		Year-to-date ended	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Revenue	21,719	23,022	51,877	63,327
Cost of sales	(3,009)	(4,213)	(13,960)	(17,902)
Gross profit	18,710	18,809	37,917	45,425
Other income	3,142	2,794	5,361	4,390
Selling and marketing expenses	(184)	(911)	(383)	(1,139)
Administrative expenses	(940)	(5,591)	(7,370)	(12,168)
Finance costs	(29,052)	(24,434)	(58,654)	(48,230)
Other expenses	(630)	(192)	(1,232)	(383)
Loss before tax	(8,954)	(9,525)	(24,361)	(12,105)
Income tax	(724)	146	(881)	(456)
Loss net of tax	(9,678)	(9,379)	(25,242)	(12,561)
<b>Other comprehensive income/(loss)</b>				
Foreign currency translation	(1,884)	(30)	(639)	238
<b>Total comprehensive loss for the year</b>	<b>(11,562)</b>	<b>(9,409)</b>	<b>(25,881)</b>	<b>(12,323)</b>
<b>Profit/(Loss) attributable to:</b>				
Owners of the parent	(8,966)	(10,097)	(23,660)	(13,551)
Non-controlling interest	(712)	718	(1,582)	990
	<b>(9,678)</b>	<b>(9,379)</b>	<b>(25,242)</b>	<b>(12,561)</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the parent	(10,850)	(10,127)	(24,299)	(13,313)
Non-controlling interest	(712)	718	(1,582)	990
	<b>(11,562)</b>	<b>(9,409)</b>	<b>(25,881)</b>	<b>(12,323)</b>
<b>Loss per share attributable to owner of the parent (sen)</b>				
Basic	(2.93)	(3.30)	(7.73)	(4.43)

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

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Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020**

	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,104	5,298
Right-of-use assets	20,636	21,056
Intangible assets	7,427	7,470
Investment properties	303,050	303,050
Land held for property development	501,787	501,581
Trade and other receivables	657,749	692,239
Other investments	4,399	4,301
Deferred tax assets	17,829	15,068
	<u>1,517,981</u>	<u>1,550,063</u>
<b>Current assets</b>		
Property development costs	11,933	66,903
Inventories	131,081	81,219
Contract assets	10,944	5,452
Tax recoverable	1,241	1,094
Trade and other receivables	104,483	115,524
Other current assets	364	381
Other investments	124,254	123,215
Cash and cash equivalents	36,221	45,853
	<u>420,521</u>	<u>439,641</u>
<b>Total assets</b>	<u>1,938,502</u>	<u>1,989,704</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2020 (contd.)**

	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
<b>Equity and liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	338,679	346,845
Other current liabilities	14,406	14,538
Contract liabilities	3,165	4,181
Loans and borrowings	120,277	125,014
Income tax payable	3,251	701
	<u>479,778</u>	<u>491,279</u>
<b>Non-current liabilities</b>		
Trade and other payables	300,704	286,447
Loans and borrowings	746,879	775,053
Deferred tax liabilities	3,798	3,701
	<u>1,051,381</u>	<u>1,065,201</u>
<b>Total liabilities</b>	<u>1,531,159</u>	<u>1,556,480</u>
<b>Equity attributable to owners of parent</b>		
Share capital	397,280	397,280
Treasury shares	(327)	(327)
Other reserves	2,263	2,902
Accumulated Loss	(77,626)	(53,966)
	<u>321,590</u>	<u>345,889</u>
Non-controlling interest	85,753	87,335
<b>Total equity</b>	<u>407,343</u>	<u>433,224</u>
<b>Total equity and liabilities</b>	<u>1,938,502</u>	<u>1,989,704</u>
Net assets per share attributable to owner of the parents (RM/share)	<u>1.05</u>	<u>1.13</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 30 JUNE 2020**

	← Non-distributable →			Accumulated Loss RM'000	Non-controlling Total interest RM'000	Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000			
<b>At 1 January 2020</b>	397,280	(327)	2,902	(53,966)	345,889	433,224
Loss for the year	-	-	-	(23,660)	(23,660)	(25,242)
Other comprehensive loss	-	-	(639)	-	(639)	(639)
Total comprehensive loss for the year	-	-	(639)	(23,660)	(24,299)	(25,881)
<b>At 30 June 2020</b>	397,280	(327)	2,263	(77,626)	321,590	407,343
<b>At 1 January 2019</b>	392,898	(327)	3,210	(7,569)	388,212	470,555
(Loss)/Profit for the year	-	-	-	(13,551)	(13,551)	(12,561)
Other comprehensive income	-	-	238	-	238	238
Total comprehensive income/(loss) for the year	-	-	238	(13,551)	(13,313)	(12,323)
<b>Transaction with owners:</b>						
Private placement exercise	4,382	-	-	-	4,382	4,382
<b>At 30 June 2019</b>	397,280	(327)	3,448	(21,120)	379,281	462,614

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE QUARTER ENDED 30 JUNE 2020**

	Year-to-date ended	
	30.06.2020	30.06.2019
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Loss before tax	(24,361)	(12,105)
<u>Adjustments:</u>		
Depreciation	1,189	313
Amortisation of intangible assets	43	70
Interest expenses	58,654	42,841
Loss/(Gain) on disposal of investment security	76	(62)
Distribution income from money market investment security	(2,018)	(2,128)
Interest income	(1,233)	(760)
Gain on disposal of assets	-	(1)
Deposit forfeited income	-	(276)
Impairment of trade receivables	304	-
Reversal of impairment of trade receivables	-	(572)
Unrealised (gain)/loss on forex	(1,083)	398
Operating profit before working capital changes	<u>31,571</u>	<u>27,718</u>
<u>Changes in working capital:</u>		
Changes in land held for property development and property development cost	54,764	24,248
Inventories	(49,862)	1,260
Trade and other receivables	46,310	54,854
Contract assets and contract liabilities	(6,508)	(364)
Other current assets	17	265
Trade and other payables	(12,980)	(15,380)
Other current liabilities	(132)	(28,469)
Cash generated from operations:	<u>63,180</u>	<u>64,132</u>
Income tax paid	(1,142)	(4,716)
Interest paid	(26,088)	(3,649)
Net cash generated from operating activities	<u>35,950</u>	<u>55,767</u>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE QUARTER ENDED 30 JUNE 2020 (contd.)**

	Year-to-date ended	
	30.06.2020 RM'000	30.06.2019 RM'000
<b>Cash flows from investing activities</b>		
Interest received	1,157	822
Acquisition of property, plant and equipment	(27)	(105)
Proceeds from disposal of property, plant and equipment	-	2
Addition of Right-of-use assets	(548)	-
Distribution income received	2,018	2,128
Placement of investment security	(1,137)	(647)
Net cashflow generated from investing activities	<u>1,463</u>	<u>2,200</u>
<b>Cash flows from financing activities</b>		
Net repayment of loans & borrowing	(950)	(35,832)
Repayment of Sukuk Murabahah	(45,001)	(65,725)
Withdrawal of deposits pledged	(17)	(47)
Proceeds received from private Placement	-	4,382
Net payment in finance lease payables	(650)	-
Net cashflow used in financing activities	<u>(46,618)</u>	<u>(97,222)</u>
Net decrease in cash and cash equivalents	(9,205)	(39,255)
Effect of exchange rate changes	(444)	238
Cash and cash equivalents at beginning of period	42,868	60,957
Cash and cash equivalents at end of period	<u>33,219</u>	<u>21,940</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	2,971	2,944
- Licensed corporation	31	31
Cash and bank balances	<u>33,219</u>	<u>21,840</u>
	36,221	24,815
Add: Disposal group held for sale	-	100
Less: Bank balances and deposits pledged	<u>(3,002)</u>	<u>(2,975)</u>
<b>Cash and cash equivalents at end of period</b>	<u>33,219</u>	<u>21,940</u>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

## ENCORP BERHAD

Company No. 200001004231(506836-X)  
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### EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020

#### 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.

This Condensed Report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2019. 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 2019.

##### 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 2019, except for the following new MFRSs, Amendments to MFRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2020. The adoption of the following amendments to MFRS and IC Interpretations does not have significant impact to the unaudited condensed financial statements.

##### a) Amendments to MFRSs and IC Interpretations effective for the financial periods beginning on or after 1 January 2020

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
Amendments to MFRS 134 Interim Financial Reporting	1 January 2020
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
Amendments to MFRS 138 Intangible Assets	1 January 2020
Amendments to IC Interpretation 19 Extinguishing Financial Liabilities With Equity	1 January 2020
Amendments to IC Interpretation 22 Foreign Currency Transactions and Advance Considerations	1 January 2020
Amendments to IC Interpretation 132 Intangible Assets	1 January 2020



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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2020 (contd.)****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A2. Summary of significant accounting policies (contd.)****b) MFRSs and Amendments to MFRSs but not yet effective**

The Group expected the adoption of the following standards will have no significant impact to the financial statements in the period of initial application.

Description	Effective for annual periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2022
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

**A3. Auditors' Report on Preceding Annual Financial Statements**

The Group's latest audited financial statements for the financial year ended 31 December 2019 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.

**A5. Unusual items due to their nature, size or incidence**Unrealised foreign exchange loss

Included in the results is an unrealised foreign exchange gain of RM3.2 million. This unrealised gain is from strengthening of the Malaysian Ringgit against the Australian Dollar on the translation of the amount due from a foreign subsidiary.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2020 (contd.)****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A6. Debt and equity securities**

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

**a) Treasury shares**

As at 30 June 2020, 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 RM68.7 million had been remitted in the financial year 2020 whereas the next principal and profit payment amounting to RM67.9 million is scheduled in November 2020.

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.

**A7. Dividend paid**

No dividend was paid during the quarter ended 30 June 2020.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020 (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 period ended 30 June 2020 as follows: -

	Investment holding RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Facilities management RM'000	Others*	Adjustments and Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>								
External customers	-	37,169	12,598	2,110	-	-	-	51,877
Inter-segment	2,816	-	-	477	-	-	(3,293)	-
<b>Total Revenue</b>	<b>2,816</b>	<b>37,169</b>	<b>12,598</b>	<b>2,587</b>	<b>-</b>	<b>-</b>	<b>(3,293)</b>	<b>51,877</b>
<b>Results:</b>								
Segment results	(1,714)	36,526	(848)	(505)	(76)	(167)	(812)	32,404
Interest income	1,759	1,886	6,026	-	3	2	(6,501)	3,175
Interest expense	(1,309)	(36,520)	(22,479)	(4,835)	-	(12)	6,501	(58,654)
Depreciation and amortisation	(1,063)	-	(38)	(79)	(2)	(1)	(49)	(1,232)
<b>(Loss)/Profit before tax</b>	<b>(2,327)</b>	<b>1,892</b>	<b>(17,339)</b>	<b>(5,473)</b>	<b>(75)</b>	<b>(178)</b>	<b>(861)</b>	<b>(24,361)</b>

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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2020 (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 2020 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 2020 up to the date of this report.

**A11. Changes in contingent liabilities**

	<b>30.06.2020</b>	<b>30.06.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Contingent liabilities:</b>		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	11,828	11,828

**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 2020 (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  
(2Q20 vs. 2Q19)**

The Group's revenue for the quarter ended 30 June 2020 ("2Q20") of RM21.7 million is 5.7% lower than the previous year's quarter ended 30 June 2019 ("2Q19") revenue of RM23.0 million.

Group loss before tax for 2Q20 stood at RM9.0 million against the previous year's corresponding quarter loss before tax 2Q19 of RM9.5 million. Whilst property development revenue was impacted by the Covid-19 crisis, the Group's result maintain due to an unrealised foreign exchange gain of RM3.2 million in 2Q20 and one off adjustment on percentage of completion for Dahlia project made in 2Q19 resulted in lower revenue.

**Property Development**

This segment has recorded revenue of RM2.5 million for the quarter 2Q20 as compared to the revenue of RM2.2 million in 2Q20. In 2Q19, there was one off adjustment on percentage of completion for Dahlia project as a result of changes of FRSIC Concensus 17. This has lowered down the revenue significantly in property segment.

Loss before tax for the segment in 2Q20 is RM7.7 million compared to loss before tax of RM5.4 million in 2Q19 reflecting a decrease in profit of RM2.3 million. One of the contributing factor to the decrease in loss before tax is the interest expense incurred on Bukit Katil Land. In 2Q2020, the interest charged by FELDA is RM3.1 million and accretion of interest on Bukit Katil Land of RM6.1 million.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2020 (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  
(2Q20 vs. 2Q19) (contd.)****Investment Property**

The revenue for the investment property segment recorded at RM0.8 million in 2Q20 and RM1.3 million in 2Q19 reflecting a decrease in revenue of RM0.5 million. In view of the unprecedented economic change from Covid-19 outbreak, rental rebates have been granted to existing tenants and resulted in lower revenue for 2Q20.

Loss before tax for this segment reported loss before tax of RM2.9 million in 2Q20 as opposed to RM2.1 million in 2Q19.

The management is reviewing its plans to intensify marketing plans and strengthen leasing activities to improve occupancy rate at Encorp Strand Mall as well as footfall traffic in this challenging current retail environment.

**Concessionaire**

The concession division recorded revenue of RM18.4 million in 2Q20 as compared to revenue of RM19.9 million in 2Q19.

Pursuant to the Privatisation Agreement, the concession income is payable by the Government following completion and handover of each cluster of the teachers' quarters up to the end of the concession period.

Accordingly, the Group is compensated with deferred payment income from the concession and it is recognised as revenue.

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### **EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020 (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 of RM21.7 million in 2Q20 is lower by RM8.5 million as compared to revenue of RM30.2 million in 1Q20. Loss before tax in 1Q20 of RM15.4 million has decreased by RM6.4 million to RM9.0 million in 2Q20.

Outbreak of COVID-19 has triggered Movement Control Order (“MCO”) from 18 March 2020 to mid of May 2020. This has caused the property transaction to come to a standstill. As a result, the revenue in 2Q2020 is lower as compared to the revenue in 1Q2020. In an addition, rental rebates have been granted to existing tenants and resulted in lower revenue for property segment in 2Q20.

Loss before tax in on the other hand has been reduced for RM6.4 million from 1Q2020 to 2Q2020. The main reason is due to unrealised foreign exchange gain of RM3.2 million in 2Q2020 as compared to unrealised foreign exchange loss of RM2.1 million in 1Q2020.

##### **B3. Commentary on prospects**

The global economic growth is declining due to the devastating impact of the Covid-19 crisis. Bank Negara Malaysia has announced that Malaysia economy contracted for 17.1% in the second quarter 2020. The decline reflected the unprecedented impact of Covid-19. This caused the outlook of property and retail sectors remains challenging in 2020. Stringent loan approval has further added challenges to the property sectors.

Property market is expected to take some time to recover and rebound. While the property outlook is experiencing challenging market due to Covid-19 pandemic crisis, the landed residential properties generate better interest compared to high-rise properties.

On the other hand, retail sector is expected to continue to be under pressure as the pandemic has negatively affected the sentiment of consumers. The Group will focus on cost rationalisation to continue to be competitive in the current and challenging business environment.

The Group shall continue to develop and introduce attractive pricing strategies and aggressive marketing activities to improve sales of project that has been launched specifically the landed residential units at the Encorp Cahaya Alam in Shah Alam. The accessibility to the township has been improved upon the completion of several developments in the surrounding area. The Group will continue to launch its projects in Cahaya Alam which is located in a mature township coupled with excellent access.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2020 (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**

	Quarter ended		Year-to-date ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Income tax	(3,239)	189	(3,545)	(500)
Deferred tax	2,515	(43)	2,664	44
	<u>(724)</u>	<u>146</u>	<u>(881)</u>	<u>(456)</u>

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

**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 2020.

**B7. Purchase or disposal of quoted securities**

There were no purchase or disposal of quoted securities for the financial year ended 30 June 2020.

**B8. Borrowings and debt securities**

	As at 30.06.2020	
	Current	Non-current
	RM'000	RM'000
<b>Secured</b>		
Sukuk Murabahah	63,079	689,800
Term loan	13,501	36,334
Revolving credit	42,450	-
Lease liabilities	1,247	20,745
	<u>120,277</u>	<u>746,879</u>



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### **EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020 (contd.)**

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

##### **B9. Changes in material litigation**

###### **(a) Must Ehsan Development Sdn Bhd and Bumimetro Construction Sdn Bhd**

Must Ehsan Development Sdn Bhd ('MEDSB') has on 5<sup>th</sup> July 2018, served a Notice to Arbitrate dated 4<sup>th</sup> 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 30 June 2020.

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 11<sup>th</sup> April 2018, 7<sup>th</sup> May 2018, 27<sup>th</sup> June 2018 and 6<sup>th</sup> July 2018.

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### **EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2020 (contd.)**

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

##### **B9. Changes in material litigation (contd.)**

###### **(b) Encorp Iskandar Development Sdn Bhd and Konsortium Ipmines Merz Sdn Bhd**

Encorp Iskandar Development Sdn Bhd (“EIDSB”) has on 6<sup>th</sup> November 2019, served a Notice of Arbitration dated 6<sup>th</sup> November 2019 on Konsortium Ipmines Merz Sdn Bhd (“KIMSB”) to refer EIDSB’s claims on liquidated damages for delay to complete the Project to arbitration, pursuant to the provisions of the Conditions of Contract.

EIDSB is the employer who has awarded KIMSB, the main contractor for building works construction project known as “Cadangan Pembangunan Pangsapuri Servis (571 unit) Dan Ruang Niaga Yang Mengandungi: A) i) 1 Blok Podium 7 Tingkat Yang Terdiri Daripada: 1 Tingkat Bawah Lobi Utama Dan Ruang Perniagaan & 6 Tingkat Tempat Letak Kereta; ii) 1 Blok Pangsapuri Servis (Menara 1) 23 Tingkat (199 Unit) Berserta Dengan Kemudahan Rekreasi; B) i) 1 Blok Pangsapuri Servis 35 Tingkat (372 Unit) Yang Terdiri Daripada: 1 Tingkat Bawah Lobi Utama Dan Ruang Perniagaan, 4 Tingkat Lobi Utama Dan Ruang Servis & Pangsapuri Servis (Menara 2a) 30 Tingkat (364 Unit) Berserta Dengan Kemudahan Rekreasi; ii) 1 Blok Pangsapuri Servis (Menara 2b) 4 Tingkat (8 Unit) Berserta Dengan Kemudahan Rekreasi Di Atas Lot PTD 166961, Mukim Pulau, Daerah Johor Bahru, Johor Darul Takzim” (“Project”).

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

- a) EIDSB’s claim of RM11,760,000.00 for liquidated damages;
- b) EIDSB’s claim of RM163,500.00 for direct payment to sub-contractors;
- c) EIDSB’s claim of RM13,084,610.00 for cost in rectifying the defective works and completing the outstanding works;
- d) In the alternative to (a), (b) & (c) above, such other amount as assessed by the Arbitrator;
- e) Loss of profit for the delay of the works;
- f) Financing charges and/or interest charges on the monies spent on third party contractors;
- g) Opening up, review, revision and setting aside the architect’s decisions and certifications;
- h) All cost and expenses incurred including solicitors’ cost on an indemnity and party to party basis, interest and taxes; and
- i) General damages.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2020 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET  
LISTING REQUIREMENTS OF BURSA (contd.)****B9. Changes in material litigation (contd.)****(b) Encorp Iskandar Development Sdn Bhd and Konsortium Ipmines Merz Sdn Bhd  
(contd.)**

Pending outcome of the Arbitrator's decision, it is too preliminary at this stage to ascertain the potential financial gain or loss that could arise from the arbitration. This arbitration does not have any material financial impact on the Encorp Group for the time being.

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

Details of the notice of the arbitration can be found in the announcement dated 6<sup>th</sup> November 2019.

**B10. Dividends**

The Board of Directors did not recommend any dividend for the quarter ended 30 June 2020.

**B11. Profit for the period**

	Quarter ended 30.06.2020 RM'000	Year-to-date ended 30.06.2020 RM'000
The profit/loss is arrived at after charging/(crediting):		
a) Interest income	(1,352)	(3,175)
b) Other income	(1,790)	(2,186)
c) Interest expense	29,052	58,654
d) Depreciation and amortisation	630	1,232
e) Employee benefits	2,743	5,492
f) Unrealised gain on foreign exchange	(3,165)	(1,083)
g) Operating lease		
- equipment	12	43
- others	1	2
h) Impairment loss for receivables	234	304

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2020 (contd.)**

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

**B12. Earnings/(Loss) per share ("EPS")**

a) Basic EPS

	Quarter ended		Year-to-date ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Loss attributable to owners of the parent	<u>(8,966)</u>	<u>(10,097)</u>	<u>(23,660)</u>	<u>(13,551)</u>
Weighted average number of ordinary shares in issue	<u>306,088</u>	<u>306,088</u>	<u>306,088</u>	<u>306,088</u>
<b>Basic EPS (sen)</b>	<u>(2.93)</u>	<u>(3.30)</u>	<u>(7.73)</u>	<u>(4.43)</u>

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.

**B13. 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 28 August 2020.

By Order of the Board  
**ENCORP BERHAD**  
Company No. 200001004231 (506836-X)

**Lee Lay Hong**  
Company Secretary

Date: 28 August 2020