



Company No. 200001004231 (506836-X)

(Incorporated in Malaysia)

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

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

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

	Quarter ended		Year-to-date ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	36,842	40,009	88,719	103,336
Cost of sales	(13,685)	(15,544)	(27,645)	(33,446)
Gross profit	23,157	24,465	61,074	69,890
Other income	1,235	1,884	6,596	6,274
Selling and marketing expenses	(50)	(602)	(433)	(1,741)
Administrative expenses	(3,834)	(4,339)	(11,204)	(16,507)
Finance costs	(29,242)	(25,212)	(87,896)	(73,442)
Other expenses	(26,622)	(1,518)	(27,854)	(1,901)
Loss before tax	(35,356)	(5,322)	(59,717)	(17,427)
Income tax	(218)	1,519	(1,099)	1,063
Loss net of tax	(35,574)	(3,803)	(60,816)	(16,364)
Other comprehensive income/(loss)				
Foreign currency translation	(246)	680	(885)	918
Total comprehensive loss for the year	(35,820)	(3,123)	(61,701)	(15,446)
Profit/(Loss) attributable to:				
Owners of the parent	(35,957)	(2,822)	(59,617)	(16,373)
Non-controlling interest	383	(981)	(1,199)	9
	(35,574)	(3,803)	(60,816)	(16,364)
Total comprehensive income/(loss) attributable to:				
Owners of the parent	(36,203)	(2,142)	(60,502)	(15,455)
Non-controlling interest	383	(981)	(1,199)	9
	(35,820)	(3,123)	(61,701)	(15,446)
Loss per share attributable to owner of the parent (sen)				
Basic	(11.75)	(0.92)	(19.48)	(5.35)

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.

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

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

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
Assets		
Non-current assets		
Property, plant and equipment	5,126	5,298
Right-of-use assets	20,129	21,056
Intangible assets	4,416	7,470
Investment properties	280,050	303,050
Land held for property development	501,866	501,581
Trade and other receivables	657,840	692,239
Other investments	4,437	4,301
Deferred tax assets	17,849	15,068
	<u>1,491,713</u>	<u>1,550,063</u>
Current assets		
Property development costs	10,595	66,903
Inventories	130,929	81,219
Contract assets	7,343	5,452
Tax recoverable	1,241	1,094
Trade and other receivables	136,767	115,524
Other current assets	298	381
Other investments	134,307	123,215
Cash and cash equivalents	27,421	45,853
	<u>448,901</u>	<u>439,641</u>
Total assets	<u>1,940,614</u>	<u>1,989,704</u>

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

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	343,872	346,845
Other current liabilities	14,256	14,538
Contract liabilities	3,284	4,181
Loans and borrowings	120,311	125,014
Income tax payable	4,535	701
	<u>486,258</u>	<u>491,279</u>
Non-current liabilities		
Trade and other payables	309,106	286,447
Loans and borrowings	770,071	775,053
Deferred tax liabilities	3,656	3,701
	<u>1,082,833</u>	<u>1,065,201</u>
Total liabilities	<u>1,569,091</u>	<u>1,556,480</u>
Equity attributable to owners of parent		
Share capital	397,280	397,280
Treasury shares	(327)	(327)
Other reserves	2,017	2,902
Accumulated Loss	(113,583)	(53,966)
	<u>285,387</u>	<u>345,889</u>
Non-controlling interest	86,136	87,335
Total equity	<u>371,523</u>	<u>433,224</u>
Total equity and liabilities	<u>1,940,614</u>	<u>1,989,704</u>
Net assets per share attributable to owner of the parents (RM/share)	<u>0.93</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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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 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			
At 1 January 2020	397,280	(327)	2,902	(53,966)	345,889	433,224
Loss for the year	-	-	-	(59,617)	(59,617)	(60,816)
Other comprehensive loss	-	-	(885)	-	(885)	(885)
Total comprehensive loss for the year	-	-	(885)	(59,617)	(60,502)	(61,701)
At 30 September 2020	397,280	(327)	2,017	(113,583)	285,387	371,523
At 1 January 2019	392,898	(327)	3,210	(7,569)	388,212	470,555
(Loss)/Profit for the year	-	-	-	(16,373)	(16,373)	(16,364)
Other comprehensive income	-	-	918	-	918	918
Total comprehensive income/(loss) for the year	-	-	918	(16,373)	(15,455)	(15,446)
Transaction with owners:						
Private placement exercise	4,382	-	-	-	4,382	4,382
At 30 September 2019	397,280	(327)	4,128	(23,942)	377,139	459,491

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 SEPTEMBER 2020**

	Period-to-date ended	
	30.09.2020	30.09.2019
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(59,717)	(17,427)
<u>Adjustments:</u>		
Depreciation	1,800	1,796
Amortisation of intangible assets	54	105
Interest expenses	87,896	65,312
Loss/(Gain) on disposal of investment security	145	(103)
Distribution income from money market investment security	(2,780)	(3,214)
Interest income	(1,462)	(1,224)
Gain on disposal of assets	-	(1)
Deposit forfeited income	-	(283)
Impairment of Goodwill	3,000	-
Fair value loss on investment properties	23,000	-
Reversal of impairment of trade receivables	(3)	(606)
Unrealised (gain)/loss on forex	(1,495)	1,541
Operating profit before working capital changes	50,438	45,896
<u>Changes in working capital:</u>		
Changes in land held for property development and property development cost	56,023	30,156
Inventories	(49,710)	3,050
Trade and other receivables	14,654	65,160
Contract assets and contract liabilities	(2,788)	6,569
Other current assets	83	331
Trade and other payables	(8,724)	(21,844)
Other current liabilities	(282)	(34,034)
Cash generated from operations:	59,694	95,284
Income tax paid	(238)	(4,689)
Interest paid	(27,216)	(5,221)
Net cash generated from operating activities	32,240	85,374

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 SEPTEMBER 2020 (contd.)**

	Period-to-date ended	
	30.09.2020	30.09.2019
	RM'000	RM'000
Cash flows from investing activities		
Interest received	1,317	1,327
Acquisition of property, plant and equipment	(153)	(141)
Proceeds from disposal of property, plant and equipment	-	3
Addition of Right-of-use assets	(548)	-
Distribution income received	2,780	3,214
Placement of investment security	(11,228)	(34,391)
Net cashflow used in investing activities	<u>(7,832)</u>	<u>(29,988)</u>
Cash flows from financing activities		
Net repayment of loans & borrowing	4,050	(39,193)
Repayment of Sukuk Murabahah	(45,000)	(65,724)
Withdrawal of deposits pledged	2,451	(363)
Proceeds received from private Placement	-	4,382
Net payment in finance lease payables	(1,275)	(1,605)
Net cashflow used in financing activities	<u>(39,774)</u>	<u>(102,503)</u>
Net decrease in cash and cash equivalents	(15,366)	(47,117)
Effect of exchange rate changes	(615)	918
Cash and cash equivalents at beginning of period	42,868	60,957
Cash and cash equivalents at end of period	<u>26,887</u>	<u>14,758</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	503	3,260
- Licensed corporation	31	31
Cash and bank balances	<u>26,887</u>	<u>14,658</u>
	27,421	17,949
Add: Disposal group held for sale	-	100
Less: Bank balances and deposits pledged	(534)	(3,291)
Cash and cash equivalents at end of period	<u>26,887</u>	<u>14,758</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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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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 SEPTEMBER 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 gain

Included in the results is an unrealised foreign exchange gain of RM1.5 million. This unrealised gain is from strengthening of the Australian Dollar against the Malaysian Ringgit 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 SEPTEMBER 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 September 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 RM136.5 million had been remitted in the financial year 2020 whereas the next principal and profit payment amounting to RM66.4 million is scheduled in May 2021.

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.

c) Ordinary shares

On the 23 September 2020, the Company had announced to undertake a private placement up to 30,608,821 new ordinary shares in Encorp representing ten per cent of the total number of issued shares of Encorp (excluding treasury shares). On the 16 October 2020, the first tranche of the Private Placement has been completed following the listing of and quotation for 10,210,500 Placement Shares on the Main Market of Bursa Securities. The issue price per share for the placement is RM0.17. Kindly refer to "B8. Status of corporate proposals" for further elaboration on the private placement proposal.

A7. Dividend paid

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

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 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 September 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
Revenue								
External customers	-	55,160	29,724	3,835	-	-	-	88,719
Inter-segment	4,012	-	-	715	-	-	(4,727)	-
Total Revenue	4,012	55,160	29,724	4,550	-	-	(4,727)	88,719
Results:								
Segment results	(4,536)	54,361	1,440	(22,998)	(111)	(478)	(1,741)	25,937
Interest income	2,608	2,537	8,686	-	5	19	(9,759)	4,096
Interest expense	(1,973)	(54,980)	(33,413)	(7,271)	-	(18)	9,759	(87,896)
Depreciation and amortisation	(1,579)	-	(57)	(140)	(3)	(1)	(74)	(1,854)
(Loss)/Profit before tax	(5,480)	1,918	(23,344)	(30,409)	(109)	(478)	(1,815)	(59,717)

* 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 SEPTEMBER 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 September 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 September 2020 up to the date of this report.

A11. Changes in contingent liabilities**Contingent liabilities:**

Corporate guarantee given to banks for credit facilities
granted to subsidiaries

30.09.2020	30.09.2019
RM'000	RM'000

11,828	11,828
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A12. Capital commitments

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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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
(3Q20 vs. 3Q19)**

The Group's revenue for the quarter ended 30 September 2020 ("3Q20") of RM36.8 million is 8.0% lower than the previous year's quarter ended 30 September 2019 ("3Q19") revenue of RM40.0 million. Decrease in revenue is mainly attributed from property development segment due to the impact of Covid-19 crisis.

Group loss before tax for 3Q20 stood at RM35.4 million against the previous year's corresponding quarter loss before tax 3Q19 of RM5.3 million, an increase of RM30.1 million. The increase is mainly due to accretion of interest on Bukit Katil Land of RM6.3 million in 3Q20, one-off adjustment from fair value loss of investment properties of RM23.0 million and goodwill impairment of RM3.0 million.

Property Development

This segment has recorded revenue of RM17.1 million for the quarter 3Q20 as compared to the revenue of RM18.8 million in 3Q19, a decrease of 9.0% or RM1.7 million. The revenue recorded for property development segment in 3Q2020 was generated from landed development in Cahaya Alam. On the high-rise properties, due to large overhang and weak consumer sentiment arising from the Covid-19 pandemic, our sales of high-rise properties in Johor remained weak in 3Q2020.

Loss before tax for the segment in 3Q20 is RM6.0 million compared to profit before tax of RM0.3 million in 3Q19 reflecting a decrease in profit of RM6.3 million. One of the contributing factor is due to the accretion of interest expense incurred on Bukit Katil Land of RM6.3 million. The accretion of interest for 3Q2020 is charged out as expenses in statement of profit or loss as opposed to capitalising in prior year.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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
(3Q20 vs. 3Q19) (contd.)****Investment Property**

The revenue for the investment property segment reported at RM1.7 million in 3Q20 as compared to RM1.4 million in 3Q19.

Loss before tax for this segment was RM24.9 million in 3Q20 as opposed to RM2.7 million in 3Q19. One of the factor contributing to the loss is due to one-off adjustment from fair value loss of investment properties for RM23.0 million. Covid-19 pandemic has caused retail business to remain weak. As such, the indicative value of investment properties has reduced as a result of the weak market.

The management is reviewing its plans to intensity 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 RM18.0 million in 3Q20 as compared to revenue of RM19.5 million in 3Q19.

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.

B2. Comparison with Immediate Preceding Quarter

The revenue for the Group is RM36.8 million in 3Q20 as compared to revenue of RM21.7 million in 2Q20. The revenue marked an increase of 70% or RM15.1 million. The significant increase in revenue for 3Q2020 as compared to 2Q2020 is mainly arising from the improvement in revenue from property and investment property segment.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B2. Comparison with Immediate Preceding Quarter (contd.)**

The COVID-19 pandemic crisis has triggered Movement Control Order (“MCO”) from 18 March 2020 to mid of May 2020. This has impacted severely on sales of property and retail activities. Additionally, the MCO has caused the work progress for our projects come to a standstill during this period. As a result, the revenue in 2Q2020 is lower. Subsequently, after the Government allowed the business to resume its operations and construction works, our property segment managed to generate revenue from the current launch of landed properties in Cahaya Alam.

However, investment properties reported lower revenue in 2Q2020 due to rental rebates granted to existing tenants because they were unable to open for business during the MCO period.

Loss before tax for 3Q2020 stood at RM35.4 million as compared to loss before tax for 2Q2020 of RM9.0. The loss before tax between two quarters marked an increase of RM26.4 million. The losses are mainly contributed by one-off adjustment from fair value loss of investment properties of RM23.0 million and goodwill impairment of RM3.0 million.

B3. Commentary on prospects

During the Malaysia Budget 2021 announced on 11 November 2020, gross domestic product (GDP) in 2020 projected to contract by 4.5% due to the Covid-19 pandemic. Besides experiencing stiff competition due to the large overhang of high-rise properties, property market has also impacted from lack of consumer confidence due to the Covid-19 pandemic crisis. Hence, property market is expected to take some time to recover.

The 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 challenging business environment.

In order to mitigate the challenges in the current market, the Group has embraced on technology in its marketing activities to reach out to customers by introducing virtual tour on Clover project. The Group will continue to provide attractive sales package to the buyers and perform aggressive marketing activities to improve the sale of landed residential properties at Encorp Cahaya Alam in Shah Alam as well as high-rise properties in Puteri Harbour Johor.

The Group remains cautious on the future prospects in view of the current pandemic. On the landed properties in Cahaya Alam, the Group will continue to launch the projects in Cahaya Alam due to excellent accessibility and favourable response in its recent launches.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Income tax	(529)	2,435	(3,925)	2,022
Deferred tax	311	(916)	2,826	(959)
	<u>(218)</u>	<u>1,519</u>	<u>(1,099)</u>	<u>1,063</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 September 2020.

B7. Purchase or disposal of quoted securities

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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B8. Status of corporate proposals**

On the 23 September 2020, 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 30,608,821 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 24 September 2020 on behalf of Encorp submitted the listing application in relation to the Proposed Private Placement to Bursa Malaysia Securities Berhad ('Bursa Securities'). On 28 September 2020, MIDF had announced additional information in relation to the proposed placement. The listing application which submitted on 24 September 2020 was duly approved by Bursa Securities vide its letter dated 1 October 2020.

On the 16 October 2020, the first tranche of the Private Placement has been completed following the listing of and quotation for 10,210,500 Placement Shares on the Main Market of Bursa Securities. The issue price per share for the placement is RM0.17.

B9. Borrowings and debt securities

	As at 30.09.2020	
	Current RM'000	Non-current RM'000
Secured		
Sukuk Murabahah	63,079	708,260
Term loan	13,502	36,408
Bridging loan	-	5,000
Revolving credit	42,450	-
Lease liabilities	1,280	20,403
	<u>120,311</u>	<u>770,071</u>

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ENCORP BERHAD

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2020 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B10. Changes in material litigation****(a) Must Ehsan Development Sdn Bhd and Bumimetro Construction Sdn Bhd**

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 period ending 30 September 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 11th April 2018, 7th May 2018, 27th June 2018 and 6th July 2018.

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

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

B10. 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 6th November 2019, served a Notice of Arbitration dated 6th 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 SEPTEMBER 2020 (contd.)**

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

B10. 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 6th November 2019.

B11. Dividends

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

B12. Profit for the period

	Quarter ended 30.09.2020 RM'000	Year-to-date ended 30.09.2020 RM'000
The profit/loss is arrived at after charging/(crediting):		
a) Interest income	(921)	(4,096)
b) Other income	(314)	(2,500)
c) Interest expense	29,242	87,896
d) Depreciation and amortisation	622	1,854
e) Employee benefits	2,720	8,212
f) Unrealised gain on foreign exchange	(412)	(1,495)
g) Operating lease		
- equipment	65	108
- others	1	3
h) Impairment loss for receivables	(307)	(3)
i) Written off on investment property	23,000	23,000
j) Impairment on goodwill	3,000	3,000
	<u>3,000</u>	<u>3,000</u>

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

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

B13. Earnings/(Loss) per share ("EPS")

a) Basic EPS

	Quarter ended		Year-to-date ended	
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Loss attributable to owners of the parent	<u>(35,957)</u>	<u>(2,822)</u>	<u>(59,617)</u>	<u>(16,373)</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>
Basic EPS (sen)	<u>(11.75)</u>	<u>(0.92)</u>	<u>(19.48)</u>	<u>(5.35)</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.

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 26 November 2020.

By Order of the Board

ENCORP BERHAD

Company No. 200001004231 (506836-X)

Lee Lay Hong

Company Secretary

Date: 26 November 2020