



Company No. 200001004231 (506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2021**

**ENCORP BERHAD**

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER 30 SEPTEMBER 2021**

	Quarter ended		Year-to-date ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Revenue	28,072	36,842	90,584	88,719
Cost of sales	(9,060)	(13,685)	(29,463)	(27,645)
Gross profit	19,012	23,157	61,121	61,074
Other income	991	1,235	2,674	6,596
Selling and marketing expenses	(34)	(50)	(469)	(433)
Administrative expenses	(5,932)	(3,834)	(15,427)	(11,204)
Finance costs	(18,382)	(29,242)	(54,843)	(87,896)
Other expenses	(591)	(26,622)	(1,781)	(27,854)
Loss before tax	(4,936)	(35,356)	(8,725)	(59,717)
Income tax	(3,085)	(218)	(3,131)	(1,099)
Loss net of tax	(8,021)	(35,574)	(11,856)	(60,816)
<b>Other comprehensive income/(loss)</b>				
Foreign currency translation	1,155	(246)	960	(885)
<b>Total comprehensive loss for the year</b>	<b>(6,866)</b>	<b>(35,820)</b>	<b>(10,896)</b>	<b>(61,701)</b>
<b>Loss attributable to:</b>				
Owners of the parent	(7,951)	(35,957)	(11,647)	(59,617)
Non-controlling interest	(70)	383	(209)	(1,199)
	<b>(8,021)</b>	<b>(35,574)</b>	<b>(11,856)</b>	<b>(60,816)</b>
<b>Total comprehensive loss attributable to:</b>				
Owners of the parent	(6,796)	(36,203)	(10,687)	(60,502)
Non-controlling interest	(70)	383	(209)	(1,199)
	<b>(6,866)</b>	<b>(35,820)</b>	<b>(10,896)</b>	<b>(61,701)</b>
<b>Loss per share attributable to owner of the parent (sen)</b>				
Basic	(2.52)	(11.75)	(3.69)	(19.48)

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 2020 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 SEPTEMBER 2021**

	As at 30.09.2021 RM'000	As at 31.12.2020 RM'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	4,988	5,084
Right-of-use assets	18,101	19,622
Intangible assets	9	14
Investment properties	284,050	284,050
Land held for property development	36,462	36,683
Trade and other receivables	563,037	627,313
Deferred tax assets	6,684	9,356
	<u>913,331</u>	<u>982,122</u>
<b>Current assets</b>		
Property development costs	2,677	15,253
Inventories	127,871	129,684
Contract assets	7,464	343
Tax recoverable	1,230	1,294
Trade and other receivables	122,738	128,912
Other current assets	414	761
Other investments	155,287	127,799
Cash and cash equivalents	41,135	29,892
	<u>458,816</u>	<u>433,938</u>
<b>Total assets</b>	<u>1,372,147</u>	<u>1,416,060</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2021 (contd.)**

	As at 30.09.2021 RM'000	As at 31.12.2020 RM'000
<b>Equity and liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	64,286	70,195
Other current liabilities	20,879	21,407
Contract liabilities	7,825	8,326
Loans and borrowings	131,107	127,329
Income tax payable	2,845	2,435
	<u>226,942</u>	<u>229,692</u>
<b>Non-current liabilities</b>		
Trade and other payables	18,092	17,668
Loans and borrowings	688,635	719,175
Deferred tax liabilities	1,271	1,422
	<u>707,998</u>	<u>738,265</u>
<b>Total liabilities</b>	<u>934,940</u>	<u>967,957</u>
<b>Equity attributable to owners of parent</b>		
Share capital	399,016	399,016
Treasury shares	(327)	(327)
Other reserves	23,613	22,653
Accumulated Loss	(69,256)	(57,609)
	<u>353,046</u>	<u>363,733</u>
Non-controlling interest	84,161	84,370
<b>Total equity</b>	<u>437,207</u>	<u>448,103</u>
<b>Total equity and liabilities</b>	<u>1,372,147</u>	<u>1,416,060</u>
Net assets per share attributable to owner of the parents (RM/share)	<u>1.12</u>	<u>1.15</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 2021**

	←		Non-distributable		→		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Accumulated Loss RM'000	Total RM'000	Non-controlling interest RM'000	
<b>At 1 January 2021</b>	399,016	(327)	22,653	(57,609)	363,733	84,370	448,103
Loss for the year	-	-	-	(11,647)	(11,647)	(209)	(11,856)
Other comprehensive profit	-	-	960	-	960	-	960
Total comprehensive profit/(loss) for the year	-	-	960	(11,647)	(10,687)	(209)	(10,896)
<b>At 30 September 2021</b>	<b>399,016</b>	<b>(327)</b>	<b>23,613</b>	<b>(69,256)</b>	<b>353,046</b>	<b>84,161</b>	<b>437,207</b>
<b>At 1 January 2020</b>	397,280	(327)	2,902	(53,966)	345,889	87,335	433,224
Loss for the year	-	-	-	(59,617)	(59,617)	(1,199)	(60,816)
Other comprehensive loss	-	-	(885)	-	(885)	-	(885)
Total comprehensive loss for the year	-	-	(885)	(59,617)	(60,502)	(1,199)	(61,701)
<b>At 30 September 2020</b>	<b>397,280</b>	<b>(327)</b>	<b>2,017</b>	<b>(113,583)</b>	<b>285,387</b>	<b>86,136</b>	<b>371,523</b>

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2020 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 2021**

	Period ended	
	30.09.2021	30.09.2020
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Loss before tax	(8,725)	(59,717)
<u>Adjustments:</u>		
Depreciation	1,776	1,800
Amortisation of intangible assets	5	54
Interest expenses	54,843	87,896
Loss on disposal of investment security	770	145
Distribution income from money market investment security	(2,388)	(2,780)
Interest income	(190)	(1,462)
Deposit forfeited income	(80)	-
Impairment of Goodwill	-	3,000
Fair value loss on investment properties	-	23,000
Reversal of impairment of trade receivables	(14)	(3)
Unrealised gain on forex	1,345	(1,495)
Operating profit before working capital changes	47,342	50,438
<u>Changes in working capital:</u>		
Changes in land held for property development and property development cost	12,797	56,023
Inventories	1,813	(49,710)
Trade and other receivables	69,199	14,654
Contract assets and contract liabilities	(7,622)	(2,788)
Other current assets	347	83
Trade and other payables	(5,819)	(8,724)
Other current liabilities	(528)	(282)
Cash generated from operations:	117,529	59,694
Income tax	(136)	(238)
Interest paid	(24,887)	(27,216)
Net cash generated from operating activities	92,506	32,240

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 2021 (contd.)**

	Period ended	
	30.09.2021 RM'000	30.09.2020 RM'000
<b>Cash flows from investing activities</b>		
Interest received	190	1,317
Acquisition of property, plant and equipment	(159)	(153)
Addition of Right-of-use assets	-	(548)
Distribution income received	2,506	2,780
Placement of investment security	(28,376)	(11,228)
Net cashflow used in investing activities	<u>(25,839)</u>	<u>(7,832)</u>
<b>Cash flows from financing activities</b>		
Net borrowing of loans & borrowing	(9,272)	4,050
Repayment of Sukuk Murabahah	(45,000)	(45,000)
Withdrawal of deposits	67	2,451
Net payment in finance lease payables	(1,873)	(1,275)
Net cashflow used in financing activities	<u>(56,078)</u>	<u>(39,774)</u>
Net decrease in cash and cash equivalents	10,589	(15,366)
Effect of exchange rate changes	721	(615)
Cash and cash equivalents at beginning of period	27,121	42,868
Cash and cash equivalents at end of period	<u>38,431</u>	<u>26,887</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	2,673	503
- Licensed corporation	31	31
Cash and bank balances	<u>38,431</u>	<u>26,887</u>
	41,135	27,421
Less: Bank balances and deposits pledged	<u>(2,704)</u>	<u>(534)</u>
<b>Cash and cash equivalents at end of period</b>	<u>38,431</u>	<u>26,887</u>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2020 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 2021****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 2020. 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 2020.

**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 2020, except for the following new MFRSs, Amendments to MFRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2021. 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 2021**

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 16 Leases	1 January 2021
Amendments to MFRS 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16 - Financial instruments, Financial instruments: Recognition and Measurement, Financial instruments: disclosures, Insurance contracts and Leases	1 January 2021



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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (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 (contd.)**

Description	Effective for annual periods beginning on or after
Amendments to MFRS 1 First-time adoption of Malaysian Financial Reporting Standards	1 January 2022
Amendments to MFRS 9 Financial Instruments	1 January 2022
Amendments to MFRS 116 Property, plant and equipment	1 January 2022
Amendments to MFRS 141 Agriculture	1 January 2022
Amendments to MFRS 3 Business Combinations	1 January 2022
Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2023
Amendments to MFRS 10 and MFRS 128 – Consolidated financial statements and Investment in Associates and 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 2020 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**

There were no unusual items for the financial period 30 September 2021.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (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 2021, 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 RM127.1 million had been remitted in the financial year 2021 whereas the next principal and profit payment amounting to RM69.2 million is scheduled in May 2022.

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 September 2021.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (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 2021 as follows: -

	Investment holding RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction project management RM'000	Others*	Adjustments and Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>								
External customers	-	50,195	37,142	3,247	-	-	-	90,584
Inter-segment	4,455	-	-	566	-	-	(5,021)	-
<b>Total Revenue</b>	<b>4,455</b>	<b>50,195</b>	<b>37,142</b>	<b>3,813</b>	<b>-</b>	<b>-</b>	<b>(5,021)</b>	<b>90,584</b>
<b>Results:</b>								
Segment results	(5,488)	49,090	3,623	(694)	(394)	(434)	388	46,091
Interest income	2,514	1,645	6,592	-	-	2	(8,945)	1,808
Interest expense	(1,820)	(50,144)	(5,331)	(6,479)	(11)	(3)	8,945	(54,843)
Depreciation and amortisation	(1,455)	(1)	(61)	(185)	-	(3)	(76)	(1,781)
<b>(Loss)/Profit before tax</b>	<b>(6,249)</b>	<b>590</b>	<b>4,823</b>	<b>(7,358)</b>	<b>(405)</b>	<b>(438)</b>	<b>312</b>	<b>(8,725)</b>

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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (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 2021 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 2021 up to the date of this report.

**A11. Changes in contingent liabilities**

	<b>30.09.2021</b>	<b>30.09.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Contingent liabilities:</b>		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	12,267	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 SEPTEMBER 2021 (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  
(Q3-2021 vs. Q3-2020)**

The Group reported a revenue of RM28.1 million in Q3-2021 as opposed to RM36.8 million in Q3-2020, representing a decrease of 23.6% or RM8.7 million.

This decrease in revenue is largely the result of lower revenue generated from the property development segment. Since June 2021, the Government implemented a full lockdown until the beginning of September 2021 due to an increase in Covid-19 cases. This resulted in a slowdown in property development transactions and a halt in work progress.

In Q3-2021, the Group recorded a loss before tax of RM4.9 million compared to RM35.4 million in Q3-2020, a reduction of loss before tax for the Group is mainly due to one-off adjustments that was posted in previous year corresponding period of fair value loss of investment properties of RM23.0 million and goodwill impairment of RM3.0 million. Further, the improvement in loss before tax has also been attributed to the absence of interest costs incurred for the Bukit Katil Land following the settlement with Federal Land Development Authority ("FELDA"). In Q3-2020, the Group incurred finance costs on Bukit Katil Land of RM9.2 million.

**Property Development**

The property development segment reported a revenue of RM11.2 million in Q3-2021 as compared to a revenue of RM17.1 million in Q3-2020, a decrease of RM5.9 million or 35%. Due to a significant increase in the cases of Covid-19 since the second quarter of 2021, the Government instituted a complete lockdown beginning in June 2021 and lasting until the beginning of September 2021, which affected property transactions and halted progress on work projects. In Q3-2021, revenues are mainly driven by the two ongoing phases in Cahaya Alam, Clover and Lily, while sales of high-rise properties in Johor and Selangor remain weak due to an overhang of completed properties and low demand.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (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  
(Q3-2021 vs. Q3-2020) (contd.)****Property Development (contd.)**

As of Q3-2021, the company recorded a profit before tax of RM1.4 million, compared to a loss before tax of RM6.0 million recorded in Q3-2020, representing an improvement of RM7.4 million. The improvement in profit before tax is mainly due to a settlement agreement entered between one of the Group's subsidiary, Encorp Bukit Katil Sdn. Bhd. ("EBKSB") and FELDA on 30 December 2020 to discharge the obligation on Bukit Katil Land. As a result of the settlement agreement, EBKSB no longer need to incur the accretion of interest and interest charges for late payment on Bukit Katil land. In Q3-2020, the accretion of interest and interest charges on Bukit Katil Land is RM9.2 million.

**Investment Property**

Investment property revenue for Q3-2021 was RM0.6 million as compared to RM1.7 million in Q3-2020, a reduction in revenue of RM1.1 million. The outbreak of Covid-19 cases during the second quarter of 2021 has added fuel to a challenging retail environment.

The retail sector remains weak, resulting in lower occupancy rates and lower rental income for investment properties. The tenants were granted rebates as part of the effort to maintain the continuity of their business.

In an effort to improve the occupancy rate and footfall at Encorp Strand Mall, the management is strengthening leasing activities, intensifying marketing activities, and incorporating technology to retain existing tenants and bring in new ones while employing measures to keep costs to a minimum.

**Concessionaire**

The concession division recorded a revenue of RM16.3 million in Q3-2021 as compared to a revenue of RM18.0 million in Q3-2020.

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 SEPTEMBER 2021 (contd.)**

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

**B2. Comparison with Immediate Preceding Quarter**

In Q3-2021, the Group reported revenue of RM28.1 million compared to revenue of RM35.1 million in Q2-2021, a decrease of RM7.0 million or 20.0% over the preceding quarter. The decrease in revenue is mainly attributable to lower revenue from the property development and investment property segments.

In Q3-2021, the property development segment reported revenue of RM11.2 million compared to revenue of RM17.0 million in Q2-2021. The number of cases of COVID-19 has increased significantly since the second quarter of year 2021, and the Government declared a full lockdown from June 2021 until the beginning of September 2021. As a result, property transactions have been affected and the construction progress of two ongoing phases has been impacted in Cahaya Alam.

The investment property segment reported revenue of RM0.6 million in Q3-2021, compared with RM1.3 million in Q2-2021. An increase in Covid-19 cases has exacerbated a challenging retail environment. A rental rebate program has been offered to tenants in order to help alleviate the impact of the pandemic on them.

The Group recorded a loss before tax in Q3-2021 of RM4.9 million, as compared to RM2.3 million in Q2-2021, an increase of RM2.6 million. The lower gross profit generated from business activities has contributed to the higher loss before tax in Q3-2021.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (contd.)**

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

**B3. Commentary on prospects**

As a result of the outbreak of Covid-19 pandemic in year 2020, two of the Group's main business segments- property development and investment property- have been hard hit. The recent lockdown which was imposed from 1 June 2021 to mid-September has exacerbated the challenges for all sectors of the economy.

The current two phases of ongoing projects in Cahaya Alam, Clover and Lily are able to continue with its construction after the implementation of Phase Two of the National Recovery Plan. The ongoing landed residential properties in Cahaya Alam continue to demonstrate strong demand due to its strategic location and matured township. Due to the overhang situation coupled with the Covid-19 pandemic, the outlook for high-rise commercial and residential properties in Kota Damansara and Johor Bahru remains weak and challenging.

Due to the Covid-19 pandemic, retail sales growth has been constrained since the beginning of 2020. Physical retailers have experienced a significant drop in sales as consumers shift to online shopping as the norm. The retail sector will remain challenging until consumers return to physical shopping.

In addition to aggressive marketing activities, Encorp Group plans to offer attractive sales packages to improve the sale of landed properties at Encorp Cahaya Alam in Shah Alam as well as high-rise properties in Puteri Harbour Johor and Encorp Strand Residence.

In light of the current Covid-19 pandemic crisis, the Group remains cautious with respect to future prospects. The Group will continue to build landed properties at Encorp Cahaya Alam as a result of its strategic location, excellent accessibility and favourable response to its recent launches. In addition, the Group seeks to embark on new projects with a focus on affordability and in areas with a lesser degree of property overhang.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (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		Period-to-date ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Income tax	(415)	(380)	(610)	(3,925)
Deferred tax	<u>(2,670)</u>	<u>162</u>	<u>(2,521)</u>	<u>2,826</u>
	<u>(3,085)</u>	<u>(218)</u>	<u>(3,131)</u>	<u>(1,099)</u>

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

**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 2021.

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LISTING REQUIREMENTS OF BURSA (contd.)****B7. Purchase or disposal of quoted securities**

There were no purchase or disposal of quoted securities for the financial period ended 30 September 2021.

**B8. Status of corporate proposals**

On 23 September 2020, MIDF Amanah Investment Bank Berhad ("MIDF Investment"), on behalf of the Board of Directors of Encorp, had announced that the Company proposed 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) primarily for the Company to address the shortfall of public shareholding spread requirement pursuant to paragraph 8.02 (1) of the Listing Requirements.

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 16 October 2020, the first tranche of the Private Placement was 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.

Bursa Securities had vide its letter dated 29 March 2021, granted the Company an extension of time of 6 months until 30 September 2021 to complete the implementation of the Private Placement. On 30 September 2021, the Company has announced that the Private Placement is deemed completed upon the expiry of extension of time.

**B9. Borrowings and debt securities**

	<b>As at 30.09.2021</b>	
	<b>Current</b>	<b>Non-current</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Secured</b>		
Sukuk Murabahah	70,082	635,577
Term loan	13,501	34,329
Bridging loan	-	-
Revolving credit	45,850	-
Lease liabilities	1,674	18,729
	<u>131,107</u>	<u>688,635</u>

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### **EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2021 (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 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) RM24,630,000.00 for liquidated damages;
- b) RM2,320,346.77 for increased cost incurred for appointment of 3rd party contractors;
- c) 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.

Bumimetro has counterclaimed against MEDSB, among others, the sum of RM12,534,461.52 certified claims, RM6,810,054.96 being the uncertified progress claim, the sum of RM5,879,769.83 being the release of the 2<sup>nd</sup> moiety of the retention sum and general damages.

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 2021.

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  
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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 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) RM11,760,000.00 for liquidated damages;
- b) RM409,031.08 being the payment to third party contractors;
- c) RM13,084,610.00 being cost of rectifying the defective works and completing the outstanding works;
- d) RM112,110,789.00 being the loss of profits;
- e) In the alternative to (a), (b), (c) & (d) above, such other amount as assessed by the Arbitrator;
- 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.

KIMSB has counterclaimed against EIDSB, among others, the sum of RM5,595,430.87 being certified claims, RM85,567.08 for GST and RM5,359,119.37 being the release of the retention sum.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
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**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 6<sup>th</sup> November 2019.

**B11. Dividends**

The Board of Directors did not recommend any dividend for the quarter ended 30 September 2021.

**B12. Profit for the period**

	Quarter ended 30.09.2021 RM'000	Period-to-date ended 30.09.2021 RM'000
The profit/(loss) is arrived at after charging/(crediting):		
a) Interest income	(639)	(1,808)
b) Other income	(352)	(866)
c) Interest expense	18,382	54,843
d) Depreciation and amortisation	591	1,781
e) Employee benefits	2,832	8,723
f) Unrealised gain on foreign exchange	1,619	1,345
g) Operating lease		
- equipment	22	57
h) Expected credit losses of receivables	(715)	(14)

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LISTING REQUIREMENTS OF BURSA (contd.)****B13. Earnings/(Loss) per share ("EPS")**

## a) Basic EPS

	Quarter ended		Period-to-date ended	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to owners of the parent	<u>(7,951)</u>	<u>(35,957)</u>	<u>(11,647)</u>	<u>(59,617)</u>
Weighted average number of ordinary shares in issue	<u>315,879</u>	<u>306,088</u>	<u>315,879</u>	<u>306,088</u>
<b>Basic EPS (sen)</b>	<u>(2.52)</u>	<u>(11.75)</u>	<u>(3.69)</u>	<u>(19.48)</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 30 November 2021.

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

**Lee Lay Hong**  
Company Secretary

Date: 30 November 2021