



Company No. 200001004231 (506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2021**

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER 31 DECEMBER 2021**

	Quarter ended		Year-to-date ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Revenue	56,120	45,398	146,704	134,117
Cost of sales	(14,154)	(14,128)	(43,617)	(41,773)
Gross profit	41,966	31,270	103,087	92,344
Other income	1,983	4,055	4,657	10,651
Selling and marketing expenses	(219)	(253)	(688)	(686)
Administrative expenses	(2,387)	(208)	(17,814)	(11,412)
Finance costs	(18,318)	34,556	(73,161)	(53,340)
Other expenses	(12,416)	(8,143)	(14,197)	(35,997)
Profit before tax	10,609	61,277	1,884	1,560
Income tax	(6,920)	(7,069)	(10,051)	(8,168)
Profit/(loss) net of tax	3,689	54,208	(8,167)	(6,608)
Other comprehensive income/(loss)				
Foreign currency translation	(52)	(2,536)	908	(3,421)
Total comprehensive income/(loss) for the year	3,637	51,672	(7,259)	(10,029)
Profit/(Loss) attributable to:				
Owners of the parent	755	55,974	(10,892)	(3,643)
Non-controlling interest	2,934	(1,766)	2,725	(2,965)
	3,689	54,208	(8,167)	(6,608)
Total comprehensive profit/(loss) attributable to:				
Owners of the parent	703	53,438	(9,984)	(7,064)
Non-controlling interest	2,934	(1,766)	2,725	(2,965)
	3,637	51,672	(7,259)	(10,029)
Earnings/Loss per share attributable to owner of the parent (sen)				
Basic	0.24	18.16	(3.44)	(1.18)

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.

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021**

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Assets		
Non-current assets		
Property, plant and equipment	4,828	5,084
Right-of-use assets	17,597	19,622
Intangible assets	79	14
Investment properties	290,290	284,050
Land held for property development	17,034	36,683
Trade and other receivables	543,349	627,313
Deferred tax assets	5,653	9,356
	<u>878,830</u>	<u>982,122</u>
Current assets		
Property development costs	5,553	15,253
Inventories	107,454	129,684
Contract assets	29,031	343
Tax recoverable	1,227	1,294
Trade and other receivables	106,811	128,912
Other current assets	742	761
Other investments	134,350	127,799
Cash and cash equivalents	44,951	29,892
	<u>430,119</u>	<u>433,938</u>
Total assets	<u>1,308,949</u>	<u>1,416,060</u>

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2021 (contd.)**

	As at 31.12.2021 RM'000	As at 31.12.2020 RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	71,678	70,195
Other current liabilities	4,655	21,407
Contract liabilities	4,650	8,326
Loans and borrowings	143,784	127,329
Income tax payable	1,893	2,435
	<u>226,660</u>	<u>229,692</u>
Non-current liabilities		
Trade and other payables	18,387	17,668
Loans and borrowings	618,394	719,175
Deferred tax liabilities	4,664	1,422
	<u>641,445</u>	<u>738,265</u>
Total liabilities	<u>868,105</u>	<u>967,957</u>
Equity attributable to owners of parent		
Share capital	399,016	399,016
Treasury shares	(327)	(327)
Other reserves	23,561	22,653
Accumulated Loss	(68,501)	(57,609)
	<u>353,749</u>	<u>363,733</u>
Non-controlling interest	87,095	84,370
Total equity	<u>440,844</u>	<u>448,103</u>
Total equity and liabilities	<u>1,308,949</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.

ENCORP BERHAD

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2021**

	←		Non-distributable				→
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Accumulated Loss RM'000	Total RM'000	Non-controlling interest RM'000	Total equity RM'000
At 1 January 2021	399,016	(327)	22,653	(57,609)	363,733	84,370	448,103
(Loss)/Profit for the year	-	-	-	(10,892)	(10,892)	2,725	(8,167)
Other comprehensive profit	-	-	908	-	908	-	908
Total comprehensive profit/(loss) for the year	-	-	908	(10,892)	(9,984)	2,725	(7,259)
At 31 December 2021	399,016	(327)	23,561	(68,501)	353,749	87,095	440,844
At 1 January 2020	397,280	(327)	2,902	(53,966)	345,889	87,335	433,224
Loss for the year	-	-	-	(3,643)	(3,643)	(2,965)	(6,608)
Other comprehensive loss	-	-	(3,421)	-	(3,421)	-	(3,421)
Total comprehensive loss for the year	-	-	(3,421)	(3,643)	(7,064)	(2,965)	(10,029)
Transaction with owners:							
Private placement exercise	1,736	-	-	-	1,736	-	1,736
Waiver of amounts due to ultimate holding body	-	-	23,172	-	23,172	-	23,172
At 31 December 2020	399,016	(327)	22,653	(57,609)	363,733	84,370	448,103

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.

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2021**

	Year ended	
	31.12.2021	31.12.2020
	RM'000	RM'000
Cash flows from operating activities		
Profit before tax	1,884	1,560
<u>Adjustments:</u>		
Depreciation	2,365	2,405
Amortisation of intangible assets	13	62
Interest expenses	72,779	53,340
Loss on disposal of investment security	-	236
Distribution income from money market investment security	-	(3,435)
Interest income	(231)	(2,751)
Gain on disposal of property, plant and equipment	(50)	-
Deposit forfeited income	(80)	(286)
Provision for short-tem accumulating compensated absences	237	243
Impairment of Goodwill	-	7,404
Fair value loss on investment properties	7,688	19,000
Write down of inventories	4,131	1,322
Write off of land held for development	-	1,159
Unwinding of discount on other liabilities at amortised cost	(96)	(1,396)
(Reversal of)/Expected credit losses of trade receivables	(393)	425
Impairment of other investments	-	4,645
Development expenditure written off	-	2,497
Liquidated and ascertained damages	-	1,810
Reversal of liquidated and ascertained damages	(51)	-
Unrealised loss/(gain) on forex	1,272	(4,872)
Operating profit before working capital changes	89,468	83,368
<u>Changes in working capital:</u>		
Changes in land held for property development and property development cost	29,349	(528)
Inventories	4,171	8,077
Trade and other receivables	105,864	55,669
Contract assets and contract liabilities	(32,364)	9,254
Other current assets	19	(380)
Trade and other payables	2,745	(39,159)
Other current liabilities	(16,701)	5,059
Cash generated from operations:	182,551	121,360
Income tax	(4,179)	(2,599)
Interest paid	(47,346)	(51,544)
Net cash generated from operating activities	131,026	67,217

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.

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2021 (contd.)**

	Year ended	
	31.12.2021	31.12.2020
	RM'000	RM'000
Cash flows from investing activities		
Interest received	231	2,515
Acquisition of property, plant and equipment	(84)	(208)
Acquisition of intangible assets	(78)	(10)
Proceeds from disposal of property, plant and equipment	50	-
Distribution income received	-	3,435
Placement of investment security	(6,551)	(4,928)
Net cashflow (used in)/generated from investing activities	<u>(6,432)</u>	<u>804</u>
Cash flows from financing activities		
Net borrowing of loans & borrowing	(12,722)	10,151
Repayment of Sukuk Murabahah	(95,000)	(90,000)
Withdrawal of deposits	(22)	214
Proceeds received from private Placement	-	1,736
Net payment in finance lease payables	(2,495)	(2,448)
Net cashflow used in financing activities	<u>(110,239)</u>	<u>(80,347)</u>
Net increase/(decrease) in cash and cash equivalents	14,355	(12,326)
Effect of exchange rate changes	682	(3,421)
Cash and cash equivalents at beginning of period	27,121	42,868
Cash and cash equivalents at end of period	<u>42,158</u>	<u>27,121</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	2,760	2,740
- Licensed corporation	33	31
Cash and bank balances	<u>42,158</u>	<u>27,121</u>
	44,951	29,892
Less: Bank balances and deposits pledged	<u>(2,793)</u>	<u>(2,771)</u>
Cash and cash equivalents at end of period	<u>42,158</u>	<u>27,121</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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(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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

Description	Effective for annual periods beginning on or after
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

ENCORP BERHAD

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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 3 Business Combinations	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 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 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
Amendments to MFRS 112 Income Taxes	1 January 2023
Amendments to MFRS 10 and MFRS 128 – Consolidated financial statements and Investment in Associates and joint venture	Deferred

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 year 31 December 2021.

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(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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 31 December 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 RM137.1 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 31 December 2021.

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ENCORP BERHAD

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

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 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 year ended 31 December 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
Revenue								
External customers	-	66,038	76,080	4,586	-	-	-	146,704
Inter-segment	5,896	-	-	828	-	-	(6,724)	-
Total Revenue	5,896	66,038	76,080	5,414	-	-	(6,724)	146,704
Results:								
Segment results	(5,426)	63,913	6,830	5,348	(550)	(666)	16,410	85,859
Interest income	3,330	3,048	8,929	-	1	2	(11,927)	3,383
Interest expense	(2,407)	(67,042)	(6,951)	(8,669)	(14)	(5)	11,927	(73,161)
Inventories written down	-	-	(4,131)	-	-	-	-	(4,131)

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2021 (contd.)**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A8. Segmental information (cont'd.)**

The Group's segment revenue and results are presented by industry segments for the year ended 31 December 2021 as follows (cont'd.):

	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
Results (contd.):								
Land held for development written down	-	-	(17)	-	-	-	17	-
Loss of fair value of investment properties	-	-	-	(8,258)	-	-	570	(7,688)
Depreciation and amortisation	(1,945)	(1)	(80)	(248)	-	(3)	(101)	(2,378)
(Loss)/Profit before tax	(6,448)	(82)	4,580	(11,827)	(563)	(672)	16,896	1,884

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

ENCORP BERHAD

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(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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 year ended 31 December 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 year ended 31 December 2021 up to the date of this report.

A11. Changes in contingent liabilities

	31.12.2021	31.12.2020
	RM'000	RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	11,448	12,505

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 year.

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(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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
(Q4-2021 vs. Q4-2020)**

In Q4-2021, the Group's revenues of RM56.1 million were higher by RM10.7 million or 23.6% compared with RM45.4 million in Q4-2020. The increase in revenue is mainly attributed to the ongoing phases in Cahaya Alam.

Since the beginning of September 2021, the government has gradually eased the movement control restrictions. As a result, construction and sales activities for property development were able to be carried out in the property development segment especially the on-going projects in Cahaya Alam.

The Group reported a profit before tax of RM10.6 million in Q4-2021 as compared to RM61.3 million in Q4-2020 whilst the profit after tax was recorded at RM3.7 million in Q4-2021 as compared to RM54.2 million in Q4-2020. Higher profit before tax in Q4-2020 was mainly attributed to the reversal of accretion interest of RM46.8 million and cumulative interest charges of RM9.1 million. In Q4-2020, a subsidiary of the Group, Encorp Bukit Katil Sdn Bhd ("EBKSB") entered into a settlement agreement with FELDA to re-deliver the land to FELDA and in return FELDA agreed to release and discharge the obligations on the part of EBKSB pursuant to the Master Development Agreement dated 20 January 2016 including waiving all outstanding amounts due from EBKSB to FELDA.

In 2021, there were one-time adjustments for inventory written down in Encorp Marina Puteri Harbour of RM4.1 million, fair value losses on shop houses of RM1.6 million, and fair value losses on carparks of RM6.1 million.

Property Development

In Q4-2021, the property development segment achieved revenues of RM38.9 million, up by RM11.6 million or 42.5% from RM27.3 million in Q4-2020. A major contributor to the improvement in revenue are the two ongoing phases in Cahaya Alam, with RM31.1 million in Q4-2021 as opposed to RM27.6 million in Q4-2020. However, high-rise property sales in Johor and Selangor remain weak due to the overhang of completed developments and low demand.

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Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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
(Q4-2021 vs. Q4-2020) (contd.)****Property Development (contd.)**

In Q4-2021, the Development Rights Agreement (“DRA”) entered into by a subsidiary of the Group, Must Ehsan Development Sdn Bhd (“MEDSB”) with PNSB Construction Sdn Bhd (“PNSB”) and MGB Berhad (“MGB”) on 27 May 2019 to transfer the development rights to develop low cost housing on Parcel N, O and P of Cahaya Alam has become unconditional. The sale of development rights contributed to RM3.7 million in revenue.

In Q4-2021, the property development segment posted a loss before tax of RM0.2 million, compared to a profit before tax of RM30.6 million in Q4-2020, a decrease of RM30.8 million. The higher profit before tax in Q4-2020 was caused by the reversal of accretion interest of RM46.8 million and cumulative interest charges of RM9.1 million. The reversal of interest is due to EBKSB and FELDA signing a settlement agreement on 30 December 2020.

Loss before tax for year 2021 includes RM4.1 million in inventory losses written down at Encorp Marina Puteri Harbour, as well as RM6.1 million in fair value losses on carparks.

Investment Property

Investment property revenue for Q4-2021 was RM1.3 million, higher by RM0.8 million as compared to RM0.5 million in Q4-2020 as a result of the easing of movement restrictions. In Q4-2020, rental rebates were granted to tenants to support their business during Movement Control Order period. The retail sector still remains weak resulting in lower occupancy rates for mall segment.

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

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2021 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B1. Performance review (contd.)****b) Performance of the current quarter against the preceding year corresponding quarter
(Q4-2021 vs. Q4-2020) (contd.)****Concessionaire**

The concession division recorded a revenue of RM15.8 million in Q4-2021 as compared to a revenue of RM17.6 million in Q4-2020.

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.

B2. Comparison with Immediate Preceding Quarter

Encorp Group revenue has increased by RM28.0 million or 99.6% to RM56.1 million in the current quarter. The increase in revenue is mainly attributable to higher revenue generated from property development and the investment property segment.

Property development segment reported a revenue of RM38.9 million in Q4-2021 as compared to RM11.2 million in Q3-2021. Phases Clover and Lily marked an increase in revenue of RM20.6 million to RM31.1 million in Q4-2021, due to the easing of movement control restrictions to allow the construction and sales activity for property development.

The revenue of investment property segment has improved from RM0.6 million in Q3-2021 to RM1.3 million in Q4-2021 as a result of the easing of movement restrictions. In view of the full lockdown in previous quarter, the Group has granted rental rebate to the tenants to support their business continuity.

Group's loss before tax of RM4.9 million in Q3-2021 has improved by RM15.5 million to a profit before tax of RM10.6 million in Q4-2021. Following the sale of development rights to develop low cost housing in Cahaya Alam, the Group has made a reversal of provision of affordable housing loss of RM9.2 million on the completed properties in Cahaya Alam. In Q4-2021, the Group has made one off adjustments on the inventory written down in Encorp Marina Puteri Harbour of RM4.1 million, fair value loss on shop houses of RM1.6 million and fair value loss on carparks of RM6.1 million.

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2021 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B3. Commentary on prospects**

The Group has faced a challenging year in 2021, in which property development and investment property, two of the Group's core business segments, have been severely affected. In spite of the challenges, landed residential properties in Cahaya Alam continue to demonstrate strong demand because of its strategic location and matured township. However, due to the overhang situation, the outlook for high-rise commercial and residential properties in Kota Damansara and Johor Bahru remains weak and challenging.

There are expectations that the retail industry will continue to face pressure after suffering weak retail sales in the past two years. Retail growth was adversely affected by the prolonged lockdowns caused by the Covid-19 pandemic that shifted consumers' buying behavior to online shopping as the new norm.

Additionally, Encorp Group plans to enhance 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, by offering attractive sales packages.

In light of the current Covid-19 pandemic crisis coupled with the resurgence of new variant virus, the Group remains cautious with respect to future prospects. Despite this, due to its strategic location, excellent accessibility and favorable response to its recent launches, the Group will continue to build landed properties at Encorp Cahaya Alam. In addition, the Group will continue to venture into projects that are affordable and in areas where there is a lesser degree of overhang.

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ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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		Year-to-date ended	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Income tax	(2,645)	(6,157)	(3,106)	(4,735)
Deferred tax	(4,275)	(912)	(6,945)	(3,433)
	<u>(6,920)</u>	<u>(7,069)</u>	<u>(10,051)</u>	<u>(8,168)</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the period. The effective tax rates of the Group are higher than statutory tax rates are mainly due to charging out of deferred tax assets for subsidiaries of the Group in view that it is not probable that future taxable profit will be available against the unutilised tax losses. The reversal of provision of affordable housing losses have also contributed to the deferred tax expenses.

B6. Disposal of unquoted investments, assets and properties

There were no disposal of unquoted investments and/or properties for the financial year ended 31 December 2021.

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ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2021 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B7. Purchase or disposal of quoted securities**

There were no purchase or disposal of quoted securities for the financial year ended 31 December 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

	As at 31.12.2021	
	Current RM'000	Non-current RM'000
Secured		
Sukuk Murabahah	77,476	574,384
Term loan	22,432	25,412
Revolving credit	42,400	-
Lease liabilities	1,476	18,598
	<u>143,784</u>	<u>618,394</u>

ENCORP BERHAD

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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 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) 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 2nd 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 year ending 31 December 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 11th April 2018, 7th May 2018, 27th June 2018 and 6th July 2018.

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2021 (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) 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.

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2021 (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 31 December 2021.

B12. Profit for the year

	Quarter ended 31.12.2021 RM'000	Year-to-date ended 31.12.2021 RM'000
The profit/(loss) is arrived at after charging/(crediting):		
a) Interest income	(1,575)	(3,383)
b) Other income	(408)	(1,274)
c) Interest expense	18,318	73,161
d) Depreciation and amortisation	597	2,378
e) Employee benefits	1,046	9,769
f) Unrealised gain on foreign exchange	(73)	1,272
g) Operating lease		
- equipment	27	84
- others	2	2
h) Expected credit losses of receivables	(840)	(854)
i) Loss of fair value of investment properties	7,688	7,688
j) Inventories written down	4,131	4,131
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ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED (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	
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to owners of the parent	755	55,974	(10,892)	(3,643)
Weighted average number of ordinary shares in issue	316,299	308,236	316,299	308,236
Basic EPS (sen)	0.24	18.16	(3.44)	(1.18)

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 year 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 28 February 2022.

By Order of the Board

ENCORP BERHAD**Company No. 200001004231 (506836-X)****Lee Lay Hong**

Company Secretary

Date: 28 February 2022