



Company No. 200001004231 (506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2022**

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER 30 JUNE 2022**

	Quarter ended		Period-to-date ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Revenue	27,064	35,103	71,193	62,512
Cost of sales	(9,651)	(13,009)	(26,533)	(20,403)
Gross profit	17,413	22,094	44,660	42,109
Other income	1,040	620	1,993	1,683
Selling and marketing expenses	(1,160)	(237)	(1,345)	(435)
Administrative expenses	(7,558)	(5,891)	(9,652)	(9,495)
Finance costs	(16,367)	(18,316)	(32,518)	(36,461)
Other expenses	(579)	(589)	(1,170)	(1,190)
(Loss)/Profit before tax	(7,211)	(2,319)	1,968	(3,789)
Income tax	(487)	616	(5,425)	(46)
Loss net of tax	(7,698)	(1,703)	(3,457)	(3,835)
Other comprehensive income/(loss)				
Foreign currency translation	1,304	548	(177)	(195)
Total comprehensive loss for the year	(6,394)	(1,155)	(3,634)	(4,030)
Profit/(Loss) attributable to:				
Owners of the parent	(7,192)	(2,064)	(4,119)	(3,696)
Non-controlling interest	(506)	361	662	(139)
	(7,698)	(1,703)	(3,457)	(3,835)
Total comprehensive profit/(loss) attributable to:				
Owners of the parent	(5,888)	(1,516)	(4,296)	(3,891)
Non-controlling interest	(506)	361	662	(139)
	(6,394)	(1,155)	(3,634)	(4,030)
Earnings/(Loss) per share attributable to owner of the parent (sen)				
Basic	(2.27)	(0.66)	(1.30)	(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 2021 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 JUNE 2022**

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Assets		
Non-current assets		
Property, plant and equipment	5,386	4,828
Right-of-use assets	16,591	17,597
Intangible assets	157	79
Investment properties	290,366	290,290
Land held for property development	17,075	17,034
Trade and other receivables	501,258	543,349
Deferred tax assets	5,320	5,653
	<u>836,153</u>	<u>878,830</u>
Current assets		
Property development costs	1,921	5,553
Inventories	105,901	107,454
Contract assets	8,890	29,031
Tax recoverable	1,242	1,227
Trade and other receivables	109,791	106,811
Other current assets	477	742
Other investments	151,781	134,350
Cash and cash equivalents	34,679	44,951
	<u>414,682</u>	<u>430,119</u>
Total assets	<u>1,250,835</u>	<u>1,308,949</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2022 (contd.)**

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	76,131	71,678
Other current liabilities	4,655	4,655
Contract liabilities	2,060	4,650
Loans and borrowings	132,039	143,784
Income tax payable	4,566	1,893
	<u>219,451</u>	<u>226,660</u>
Non-current liabilities		
Trade and other payables	14,685	18,387
Loans and borrowings	574,796	618,394
Deferred tax liabilities	4,693	4,664
	<u>594,174</u>	<u>641,445</u>
Total liabilities	<u>813,625</u>	<u>868,105</u>
Equity attributable to owners of parent		
Share capital	399,016	399,016
Treasury shares	(327)	(327)
Other reserves	23,384	23,561
Accumulated Loss	(72,620)	(68,501)
	<u>349,453</u>	<u>353,749</u>
Non-controlling interest	87,757	87,095
Total equity	<u>437,210</u>	<u>440,844</u>
Total equity and liabilities	<u>1,250,835</u>	<u>1,308,949</u>
Net assets per share attributable to owner of the parents (RM/share)	<u>1.10</u>	<u>1.12</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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 JUNE 2022**

	← Non-distributable →			Accumulated Loss RM'000	Non-controlling		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000		Total RM'000	interest RM'000	
At 1 January 2022	399,016	(327)	23,561	(68,501)	353,749	87,095	440,844
(Loss)/Profit for the year	-	-	-	(4,119)	(4,119)	662	(3,457)
Other comprehensive loss	-	-	(177)	-	(177)	-	(177)
Total comprehensive (loss)/profit for the period	-	-	(177)	(4,119)	(4,296)	662	(3,634)
At 30 June 2022	399,016	(327)	23,384	(72,620)	349,453	87,757	437,210
At 1 January 2021	399,016	(327)	22,653	(57,609)	363,733	84,370	448,103
(Loss)/Profit for the period	-	-	-	(3,696)	(3,696)	(139)	(3,835)
Other comprehensive profit	-	-	(195)	-	(195)	-	(195)
Total comprehensive profit/(loss) for the period	-	-	(195)	(3,696)	(3,891)	(139)	(4,030)
At 30 June 2021	399,016	(327)	22,458	(61,305)	359,842	84,231	444,073

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2022**

	Period ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
Cash flows from operating activities		
Profit/(Loss) before tax	1,968	(3,789)
<u>Adjustments:</u>		
Depreciation	1,160	1,187
Amortisation of intangible assets	10	3
Interest expenses	32,518	36,461
(Gain)/Loss on money market investment security	(1,220)	88
Distribution income from money market investment security	(66)	(1,146)
Interest income	(127)	(111)
Deposit forfeited income	(1)	(76)
Expected credit losses of trade receivables	-	701
Unrealised gain on forex	(242)	(274)
Operating profit before working capital changes	<u>34,000</u>	<u>33,044</u>
<u>Changes in working capital:</u>		
Changes in land held for property development and property development cost	3,591	6,623
Inventories	1,553	1,119
Trade and other receivables	39,354	49,996
Contract assets and contract liabilities	17,551	(7,445)
Other current assets	265	266
Trade and other payables	397	(3,162)
Other current liabilities	-	311
Cash generated from operations	<u>96,711</u>	<u>80,752</u>
(Tax paid)/Tax refunded	(2,405)	102
Interest paid	(1,877)	(2,309)
Net cash generated from operating activities	<u>92,429</u>	<u>78,545</u>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2021 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2022 (contd.)**

	Period ended	
	30.06.2022	30.06.2021
	RM'000	RM'000
Cash flows from investing activities		
Interest received	127	23
Acquisition of property, plant and equipment	(712)	(45)
Acquisition of intangible assets	(88)	-
Additions on investment properties	(76)	-
Distribution income received	66	1,265
(Placement)/Withdrawal of investment security	(16,211)	5,530
Net cashflow (used in)/generated from investing activities	<u>(16,894)</u>	<u>6,773</u>
Cash flows from financing activities		
Net borrowing of loans & borrowing	(15,275)	(4,045)
Repayment of Sukuk Murabahah	(69,159)	(66,429)
Withdrawal of deposits	22	20
Net payment in finance lease payables	(1,240)	(1,248)
Net cashflow used in financing activities	<u>(85,652)</u>	<u>(71,702)</u>
Net (decrease)/increase in cash and cash equivalents	(10,117)	13,616
Effect of exchange rate changes	(133)	(145)
Cash and cash equivalents at beginning of period	42,158	27,121
Cash and cash equivalents at end of period	<u>31,908</u>	<u>40,592</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	2,738	2,720
- Licensed corporation	33	31
Cash and bank balances	<u>31,908</u>	<u>40,592</u>
	34,679	43,343
Less: Bank balances and deposits pledged	<u>(2,771)</u>	<u>(2,751)</u>
Cash and cash equivalents at end of period	<u>31,908</u>	<u>40,592</u>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2021 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 JUNE 2022****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 2021. 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 2021.

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 2021, except for the following new MFRSs, Amendments to MFRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2022. 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 effective for the financial periods beginning on or after 1 January 2022

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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2022 (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**

Description	Effective for annual periods beginning on or after
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 2021 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 30 June 2022.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2022 (contd.)**

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

A6. Debt and equity securities

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

a) Treasury shares

As at 30 June 2022, 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 RM69.2 million had been remitted in the financial year 2022 whereas the next principal and profit payment amounting to RM68.2 million is scheduled in November 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 June 2022.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2022 (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 30 June 2022 as follows: -

	Investment holding RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction project management RM'000	Others* RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
Revenue								
External customers	-	30,288	38,153	2,660	-	92	-	71,193
Inter-segment	2,065	-	-	433	-	1,600	(4,098)	-
Total Revenue	2,065	30,288	38,153	3,093	-	1,692	(4,098)	71,193
Results:								
Segment results	(7,156)	29,423	9,496	(1,044)	(248)	(86)	3,858	34,243
Interest income	1,656	1,200	4,510	-	-	-	(5,953)	1,413
Interest expense	(1,235)	(29,716)	(3,197)	(4,314)	(7)	(2)	5,953	(32,518)
Depreciation and amortisation	(968)	(1)	(25)	(125)	-	-	(51)	(1,170)
(Loss)/Profit before tax	(7,703)	906	10,784	(5,483)	(255)	(88)	3,807	1,968

* 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 JUNE 2022 (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 30 June 2022 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 30 June 2022 up to the date of this report.

A11. Changes in contingent liabilities

	30.06.2022	30.06.2021
	RM'000	RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	8,975	12,556

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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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2022 (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
(Q2-2022 vs. Q2-2021)**

The Group recorded a revenue of RM27.1 million in Q2-2022 compared to a revenue of RM35.1 million in Q2-2021, a decrease of RM8.0 million or 22.8%. The decrease in revenue was mainly due to lower contribution from the property development segment.

For Q2-2022, the Group recorded a loss before tax of RM7.2 million as compared to a loss before tax of RM2.3 million in Q2-2021. The increase in loss before tax of RM4.9 million was mainly due to lower revenue contribution in Q2-2022, which reduced the gross profit by RM4.7 million. Loss before tax further widened on additional foreign exchange loss of RM1.0 million from RM0.8 million in Q2-2021 to RM1.8 million in Q2-2022 on the inter-company balances to a subsidiary in Australia.

Property Development

The property development segment reported a revenue and profit before tax of RM10.8 million and RM0.8 million respectively in Q2-2022, compared to a revenue of RM17.0 million and profit before tax of RM2.6 million in Q2-2021.

The decrease in revenue for the segment by 36.5% was mainly due to the lower contribution from the on-going phase in Cahaya Alam. The revenue from the on-going phase in Q2-2022 was mainly contributed by phase Lily of RM6.1 million, compared to two on-going phases Clover and Lily of RM15.5 million in Q2-2021. The labour shortage across the nation has delayed the work progress on the construction of phase Lily.

The transition to the endemic phase from 1 April 2022 has seen some recovery on the market of our high-rise properties in Encorp Marina Puteri Harbour. The segment has achieved a revenue of RM2.4 million in Q2-2022 against RM0.8 million in Q2-2021.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2022 (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
(Q2-2022 vs. Q2-2021) (contd.)****Investment Property**

For both quarters, Q2-2022 and Q2-2021, the revenue for investment property segment was the same at RM1.3 million, whilst the loss before tax was RM3.3 million in Q2-2022 against a loss before tax of RM2.6 million in Q2-2021. The pro-longed Covid-19 pandemic since 2020 caused a devastating impact to the retail sector.

The increase in loss before tax was due to the Group's effort to increase the footfall and occupancy rates in its mall and shophouses and the additional costs incurred in refurbishing the mall. The Group has successfully secured several new tenants for the mall and shophouses.

The management is intensifying marketing efforts on social media in order to boost leasing activities. In addition to incorporating technology, such as cashless parking, the management employs measures to keep costs low while retaining tenants and attracting new ones.

Concessionaire

The concession division recorded a revenue of RM14.9 million in Q2-2022 as compared to a revenue of RM16.7 million in Q2-2021.

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

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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2022 (contd.)**

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

B2. Comparison with Immediate Preceding Quarter

The Group registered a revenue of RM27.1 million in Q2-2022, lower by RM17.0 million or 38.5% as compared to Q1-2022 due to a lower contribution from the property development segment in the current quarter.

The revenue of the property development segment had decreased by RM16.5 million or 60% to RM10.8 million in Q2-2022 predominantly due to the lower contribution from on-going phases in Cahaya Alam. In Q1-2022, two on-going phases in Cahaya Alam reported a revenue of RM25.1 million. Subsequent to the completion of construction for phase Clover in the previous quarter, the revenue of the on-going phase had reduced to RM6.1 million in Q2-2022. The division was also severely impacted by the labour shortage that led to the delay in work progress on the construction of phase Lily.

The Group reported a loss before tax of RM7.2 million in Q2-2022, compared to a profit before tax of RM9.2 million in Q1-2022. The decrease in profit before tax of RM16.4 million in Q2-2022 was mainly due to a lower revenue contribution and led to a reduction of gross profit by RM9.8 million. The second factor was due to the loss on foreign exchange of RM1.8 million as compared to the gain on foreign exchange of RM2.1 million. This resulted in a reduction in profit before tax of RM3.9 million.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2022 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B3. Commentary on prospects**

As a result of the reopening of the global economy, economic activity continues to improve. However, the inflationary pressure brought about by the military conflict between Russia and Ukraine and the mismatch in global supply chains has hampered the recovery process. As part of its efforts to curb inflation, Bank Negara has increased the Overnight Policy Rate (“OPR”) twice in the past three months by 50 basis points.

The interest rates hike coupled with the rising cost pressure may affect the buyer’s sentiment about properties. However, we hope that the stamp duty exemption introduced under the Keluarga Malaysia Home Ownership Programme from June 2022 to December 2023 may mitigate the impacts arising from interest rate hikes.

We continue to see strong demand for our landed residential properties in Cahaya Alam due to its strategic location and mature township. The Group will launch the future phases gradually. The reopening of the border between Johor and Singapore has gradually improved the sale of Encorp Marina Puteri Harbour properties.

The retail segment of the Group is in the process of recovering from a lengthy lockdown caused by the Covid-19 pandemic. As part of the Group's efforts to improve the occupancy rates, it continues to strengthen leasing activities by intensifying marketing initiatives and organising more events to attract the foot traffic. The Group also sees a potential uptake in event spaces at the mall as economic activities increased.

The Group remains cautious about the future prospects and continues to venture into projects that are affordable and in areas where there is a lesser degree of overhang. In March 2022, a subsidiary of the Group, Encorp Development Sdn Bhd (“EDSB”) had entered into a joint-venture agreement with Federal Land Development Authority (“FELDA”) to develop a mixed-development project on a 46-acre land at FELDA Chuping worth RM88.8 million. EDSB had also inked a joint venture agreement with Ipmuda Properties Sdn Bhd to jointly develop a 1.6 acre piece of land at Kota Kinabalu, Sabah into one block of 10-storey condominium with Gross Development Value (“GDV”) of RM67.72 million.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2022 (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	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Income tax	(398)	467	(5,063)	78
Deferred tax	(89)	149	(362)	(124)
	<u>(487)</u>	<u>616</u>	<u>(5,425)</u>	<u>(46)</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 during the period 30 June 2022 are higher than statutory tax rates mainly due to higher profit from the completion of phase Clover in Q1-2022.

B6. Disposal of unquoted investments, assets and properties

There were no disposal of unquoted investments and/or properties for the financial year ended 30 June 2022.

B7. Purchase or disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial year ended 30 June 2022.

B8. Status of corporate proposals

There was no corporate proposal announced but not completed as at 30 August 2022.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2022 (contd.)**

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

B9. Borrowings and debt securities

	As at 30.06.2022	
	Current RM'000	Non-current RM'000
Secured		
Sukuk Murabahah	77,476	534,941
Term loan	22,476	22,037
Revolving credit	30,500	-
Lease liabilities	1,587	17,818
	<u>132,039</u>	<u>574,796</u>

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.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2022 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B11. Changes in material litigation (contd.)****(a) Must Ehsan Development Sdn Bhd and Bumimetro Construction Sdn Bhd (contd.)**

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 30 June 2022.

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.

(b) Encorp Iskandar Development Sdn Bhd and Konsortium Ipmine 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 Ipmine 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").

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2022 (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.)

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.

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.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2022 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B11. Dividends**

The Board of Directors did not recommend any dividend for the quarter ended 30 June 2022.

B12. Profit for the period

	Quarter ended	Period-to-date
	30.06.2022	30.06.2022
	RM'000	RM'000
The profit/(loss) is arrived at after charging/(crediting):		
a) Interest income	(739)	(1,413)
b) Other income	(301)	(580)
c) Interest expense	16,367	32,518
d) Depreciation and amortisation	579	1,170
e) Employee benefits	3,033	5,833
f) Unrealised gain on foreign exchange	1,826	(242)
g) Operating lease		
- equipment	20	51
- others	2	4
	<u>2</u>	<u>4</u>

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**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		Period-to-date ended	
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to owners of the parent	<u>(7,192)</u>	<u>(2,064)</u>	<u>(4,119)</u>	<u>(3,696)</u>
Weighted average number of ordinary shares in issue	<u>316,299</u>	<u>313,306</u>	<u>316,299</u>	<u>313,306</u>
Basic EPS (sen)	<u>(2.27)</u>	<u>(0.66)</u>	<u>(1.30)</u>	<u>(1.18)</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 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 30 August 2022.

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

Lee Lay Hong
Company Secretary

Date: 30 August 2022