



Company No. 200001004231 (506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2023**

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER 31 DECEMBER 2023**

	Quarter ended		Year-to-date ended	
	31.12.2023 RM'000	31.12.2022 RM'000	31.12.2023 RM'000	31.12.2022 RM'000
Revenue	25,753	36,751	129,193	137,494
Cost of sales	(12,443)	(10,058)	(57,151)	(43,268)
Gross profit	13,310	26,693	72,042	94,226
Other income	7,715	3,662	13,247	7,152
Selling and marketing expenses	(1,091)	(1,459)	(3,602)	(6,650)
Administrative expenses	(5,291)	(5,500)	(20,788)	(19,796)
Finance costs	(14,999)	(16,977)	(59,193)	(65,942)
Other expenses	(1,061)	(14,757)	(2,789)	(16,527)
Loss before tax	(1,417)	(8,338)	(1,083)	(7,537)
Income tax	(4,316)	(3,430)	(7,401)	(10,667)
Loss net of tax	(5,733)	(11,768)	(8,484)	(18,204)
Other comprehensive income:				
Item that may be reclassified to profit or loss in subsequent periods (net of tax):				
Exchange differences on translation of foreign operation	(974)	300	(1,634)	328
Item that will not reclassified to profit or loss in subsequent periods (net of tax):				
Revaluation of office properties	-	-	5,866	-
Total comprehensive loss for the period	(6,707)	(11,468)	(4,252)	(17,876)
Profit/(Loss) attributable to:				
Owners of the parent	(4,653)	(11,954)	(9,188)	(20,141)
Non-controlling interest	(1,080)	186	704	1,937
	(5,733)	(11,768)	(8,484)	(18,204)
Total comprehensive profit/(loss) attributable to:				
Owners of the parent	(5,627)	(11,654)	(4,955)	(19,813)
Non-controlling interest	(1,080)	186	704	1,937
	(6,707)	(11,468)	(4,252)	(17,876)
Loss per share attributable to owner of the parent (sen)				
Basic	(1.47)	(3.78)	(2.90)	(6.37)

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 2022 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 2023**

	As at 31.12.2023 RM'000	As at 31.12.2022 RM'000
Assets		
Non-current assets		
Property, plant and equipment	4,442	5,523
Right-of-use assets	13,309	15,585
Intangible assets	112	152
Investment properties	303,330	291,780
Land held for property development	27,514	26,590
Trade and other receivables	361,667	457,023
Deferred tax assets	3,688	2,040
	<u>714,062</u>	<u>798,693</u>
Current assets		
Property development costs	38,346	31,681
Inventories	75,573	78,553
Contract assets	14,063	7,558
Tax recoverable	180	1,242
Trade and other receivables	133,288	107,011
Other current assets	731	398
Other investments	138,145	139,680
Cash and cash equivalents	16,322	36,070
	<u>416,648</u>	<u>402,193</u>
Total assets	<u>1,130,710</u>	<u>1,200,886</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (contd.)**

	As at 31.12.2023 RM'000	As at 31.12.2022 RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	76,727	69,540
Other current liabilities	3,823	3,823
Contract liabilities	8,055	3,923
Loans and borrowings	165,308	135,786
Lease liabilities	1,664	1,532
Income tax payable	1,094	906
	<u>256,671</u>	<u>215,510</u>
Non-current liabilities		
Trade and other payables	30,402	30,867
Loans and borrowings	405,108	509,458
Lease liabilities	14,947	17,066
Deferred tax liabilities	4,791	4,942
	<u>455,248</u>	<u>562,333</u>
Total liabilities	<u>711,919</u>	<u>777,843</u>
Equity attributable to owners of parent		
Share capital	399,016	399,016
Treasury shares	(327)	(327)
Other reserves	28,121	23,889
Accumulated Loss	(97,830)	(88,642)
	<u>328,980</u>	<u>333,936</u>
Non-controlling interest	89,811	89,107
Total equity	<u>418,791</u>	<u>423,043</u>
Total equity and liabilities	<u>1,130,710</u>	<u>1,200,886</u>
Net assets per share attributable to owner of the parents (RM/share)	<u>1.04</u>	<u>1.06</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

ENCORP BERHAD

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2023**

	← 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 2023	399,016	(327)	23,889	(88,642)	333,936	89,107	423,043
(Loss)/Profit for the period	-	-	-	(9,188)	(9,188)	704	(8,484)
Other comprehensive income	-	-	4,232	-	4,232	-	4,232
Total comprehensive income/(loss) for the period	-	-	4,232	(9,188)	(4,956)	704	(4,252)
At 31 December 2023	399,016	(327)	28,121	(97,830)	328,980	89,811	418,791
At 1 January 2022	399,016	(327)	23,561	(68,501)	353,749	87,095	440,844
(Loss)/Profit for the period	-	-	-	(20,141)	(20,141)	1,937	(18,204)
Other comprehensive income	-	-	328	-	328	-	328
Total comprehensive income/(loss) for the period	-	-	328	(20,141)	(19,813)	1,937	(17,876)
Transaction with owners:							
Incorporation and issuance of shares by a subsidiary	-	-	-	-	-	75	75
At 31 December 2022	399,016	(327)	23,889	(88,642)	333,936	89,107	423,043

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

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Company No. 200001004231(506836-X)
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2023**

	Year ended	
	31.12.2023	31.12.2022
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(1,083)	(7,537)
<u>Adjustments:</u>		
Depreciation of property, plant and equipment	2,389	344
Depreciation of right-of-use assets		2,012
Amortisation of intangible assets	40	36
Interest expense	58,496	65,942
Gain on money market investment security	(3,866)	(3,104)
Distribution income from money market investment security	(998)	(195)
Interest income	(748)	(1,016)
Property, plant and equipment written off	4	2
Gain on disposal of property, plant and equipment	-	(28)
Deposit forfeited	-	(228)
Gain on remeasurement of lease liabilities	(62)	-
Provision for short-tem accumulating compensated absences	268	245
Gain on fair value adjustment of investment properties	(3,800)	(1,463)
Provision/(Reversal) expected credit loss on:		
- trade receivables	(191)	15
- other receivables	1,050	500
(Reversal)/Provision of inventories written down	(990)	13,635
Unwinding /(modification) of discount on other liabilities at amortised cost	698	(8)
Reversal of liquidated and ascertained damages	-	(412)
Unrealised (gain)/loss on foreign exchange	(2,373)	491
Operating cash flow before working capital changes	48,834	69,231
<u>Changes in working capital:</u>		
Changes in land held for property development and property development cost	(7,589)	(14,184)
Inventories	3,970	15,266
Trade and other receivables	70,262	85,348
Contract assets and contract liabilities	(2,373)	20,746
Other current assets	(333)	344
Trade and other payables	5,734	(12,329)
Other current liabilities	-	(420)
Cash generated from operations	118,505	164,002
Income tax paid	(2,632)	(7,778)
Interest paid	(36,207)	(41,642)
Net cash flows generated from operating activities	79,666	114,582

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 31 DECEMBER 2023 (contd.)**

	Year ended	
	31.12.2023 RM'000	31.12.2022 RM'000
Cash flows from investing activities		
Interest received	748	1,016
Purchase of property, plant and equipment	(1,243)	(1,041)
Purchase of intangible assets	-	(109)
Proceeds from disposal of property, plant and equipment	-	28
Additions costs incurred on investment properties	-	(27)
Distribution income	-	195
Withdrawal/(Investment in) of other investment	1,535	(2,226)
Net cashflow generated/(used) in investing activities	<u>1,040</u>	<u>(2,164)</u>
Cash flows from financing activities		
Net drawdown/(repayment) of loans and borrowings	4,301	(19,025)
Repayment of Sukuk Murabahah	(100,000)	(100,000)
Withdrawal/(Placement) of deposits	1,767	(23)
Proceeds from issuance of shares to non-controlling interest of a subsidiary	-	75
Repayment of principal and agreed portion of lease liabilities	(3,121)	(2,595)
Net cashflow used in financing activities	<u>(97,053)</u>	<u>(121,568)</u>
Net decrease in cash and cash equivalents	(16,347)	(9,150)
Effect of exchange rate changes on cash and cash equivalents	(1,634)	246
Cash and cash equivalents at beginning of year	33,254	42,158
Cash and cash equivalents at end of year	<u>15,273</u>	<u>33,254</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	1,015	2,783
- Licensed corporation	34	33
Cash and bank balances	<u>15,273</u>	<u>33,254</u>
	16,322	36,070
Less: Bank balances and deposits pledged	<u>(1,049)</u>	<u>(2,816)</u>
Cash and cash equivalents at end of year	<u>15,273</u>	<u>33,254</u>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2022 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 31 DECEMBER 2023****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 2022. 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 2022.

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 2022, except for the following new MFRSs, Amendments to MFRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2023. 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
MFRS 17 Insurance Contracts	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 101 Presentation of Financial Statements	1 January 2023

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2023 (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
Amendments to MFRS 16 Leases	1 January 2024
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2024
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 2022 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 2023.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2023 (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 2023, 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 RM132.6 million had been remitted in the financial year ended 31 December 2023, whereas, the next principal and profit payment amounting to RM69.3 million is scheduled in May 2024.

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 2023.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2023 (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 2023 as follows: -

	Investment holding RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction RM'000	Others* RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
Revenue								
External customers	-	50,448	69,436	5,217	3,667	425	-	129,193
Inter-segment	5,926	-	-	1,060	8,315	-	(15,301)	-
Total Revenue	5,926	50,448	69,436	6,277	11,982	425	(15,301)	129,193
Results:								
Segment results	(18,762)	49,100	(11,598)	(3,882)	(1,157)	(2,797)	39,236	50,140
Interest income	2,799	4,777	10,920	7	5	1	(12,898)	5,612
Interest expense	(2,249)	(52,387)	(7,278)	(10,159)	(20)	(21)	12,920	(59,194)
Reversal of Inventories written down	-	-	990	-	-	-	-	990
Gain on fair value of investment properties	-	-	-	3,800	-	-	-	3,800
Depreciation and amortisation	(1,961)	(3)	(248)	(206)	(80)	(15)	83	(2,430)
(Loss)/Profit before tax	(20,173)	1,487	(7,214)	(10,440)	(1,252)	(2,832)	39,341	(1,083)

* This segment represents Trading, Construction Project Management and Facility Management divisions.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2023 (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 2023 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 2023 up to the date of this report.

A11. Changes in contingent liabilities

	31.12.2023	31.12.2022
	RM'000	RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	9,258	8,848

A12. Capital commitments

There were 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 31 DECEMBER 2023 (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
(Q4-2023 vs. Q4-2022)**

The Group's revenue amounted to RM25.6 million, down from RM36.8 million in Q4-2022, represents a decrease of -30% or RM11.1 million. This decline was mainly attributed to reduced contributions from the property development segment. Further details on this performance are provided in the segmental review.

The Group reported a net loss before tax of RM1.4 million, marking an 83% improvement in profitability compared to the previous year's corresponding period. This positive result was primarily driven by accounting gains from fair value adjustments on investment property and the reversal of inventory write-offs, totaling RM3.8 million and RM0.9 million respectively. However, these gains were partially offset by expected credit losses amounting to RM0.8 million.

Property Development

In Q4-2023, the property development segment experienced a decline in revenue, dropping to RM11.9 million from RM21.1 million in Q4-2022, marking a decrease of RM9.1 million. This reduction in revenue was primarily due to lower contributions from the ongoing phases in Cahaya Alam, which generated RM10.9 million, down from RM15.2 million in Q4-2022. Furthermore, the completed units at Encorp Marina Puteri Harbour, saw a decrease in sales of RM4.0 million compared to the corresponding quarter of the previous year.

The segment incurred a loss before tax of RM22.9 million in the current quarter, compared to RM23.5 million in the corresponding quarter of the previous year. The marginal improvement in performance during Q4-2023 is in line with the challenging economic environment characterised by sustained increases in the prices of building materials.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2023 (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
(Q4-2023 vs. Q4-2022) (contd.)****Investment Property**

Investment property segment reported a revenue of RM1.1 million in Q4-2023, a decrease of RM0.5 million from Q4-2022. The retail segment is still struggling to generate higher revenue despite occupancy rate in the current quarter for both Strand Mall and Warna Avenue at 71%(Q4-2022: 70%) and 66%(Q4-2022: 51%) respectively.

The segment's profitability reported a drop in its margin to a loss of RM0.2 million from a profit of RM0.04 million against preceding year corresponding quarter. The adverse results was due to persistent increases in utility expenses, driven by the Imbalance Cost Pass-Through (ICPT) electricity surcharge, and higher repair and maintenance cost in Q4-2023.

Concessionaire

The concession segment recorded a revenue of RM11.8 million in Q4-2023 as compared to RM13.9 million in Q4-2022.

Pursuant to the Privatisation Agreement, the concession income is payable by the Government following the 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 31 DECEMBER 2023 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B2. Comparison with Immediate Preceding Quarter**

The Group experienced a 13% decline in revenue, totaling RM25.8 million compared to the immediate preceding quarter. This reduction was primarily due to decreased contributions from the property development segment.

The property development segment generated a revenue of RM11.9 million in Q4-2023, marking a decrease of RM3.2 million or 21% from RM15.1 million in Q3-2023. This decline was attributed to reduced revenue from ongoing phases within Cahaya Alam. Specifically, the ongoing phases in Cahaya Alam contributed RM10.9 million in revenue, down from RM14.2 million in Q3-2023. The softened demand by cautious buyers in the Cahaya Alam property market, particularly as the Group nears the completion of its final phase in the Cahaya Alam development project, was a key factor influencing this decrease.

In terms of profitability, the Group reported a loss before tax of RM1.4 million in Q4-2023, compared to a loss before tax of RM2.6 million in Q3-2023, indicating an improvement of RM1.2 million. This improvement was attributed to a one-off gain from fair value adjustment on investment property and reversal of inventory written down value amounting RM3.8 million and RM1.3 million respectively.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2023 (contd.)

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

B3. Commentary on prospects

Aligned with Encorp's strategic objectives, the Group is actively pursuing initiatives to maximize the value of its assets. Our focus lies in executing mission-critical projects and nurturing partnerships with key stakeholders. Concurrently, we are dedicated to unlocking the potential of ENCORP's remaining landbank and spearheading sustainable projects across diverse locations.

In alignment with the government's drive to promote affordable housing, we have entered into a joint venture agreement with FELDA, resulting in the successful development of Lamanda Chuping in Chuping, Perlis. This endeavor encompasses various collaborations, including the construction of low-cost, low-medium, and commercial units in Lamanda Chuping Phase 1. Looking ahead, Phase 2, slated to commence in the latter half of the year, will focus on medium-cost housing.

Moreover, the Group has secured several re-plantation and palm oil seed delivery projects from FELDA, alongside the implementation of facilities management initiatives and optimization technologies for palm oil mills.

With the East Coast Rail Link ("ECRL") surpassing 56.3% completion and on track for a December 2026 finish, we anticipate significant opportunities for our joint venture development in Teluk Cempedak, Kuantan, Pahang. Located at the popular beach enclave of Teluk Cempedak, with the project expected to launch in 2nd half of 2024, we expect this project would yield a positive response.

The Cahaya Kristal Project, a residential development located in Kota Kinabalu, Sabah, represents a significant opportunity for Encorp's future growth and expansion in East Malaysia. With current progress completion at 7%, and Gross Development Value (GDV) of RM80.9 million, the project presents a geographical diversification in terms of the locations of our projects to capitalise on the vibrant Kota Kinabalu market.

Strand Mall and Warna Avenue are experiencing a notable increase in occupancy rates within the retail segment. This resurgence is directly attributed to the effective implementation of our dynamic marketing strategies, which complements the overall positive trajectory of economic recovery. Leveraging on this momentum, we anticipate a significant uptick in the utilisation of event spaces within the mall, mirroring the resurgence of economic activities.

To further enrich visitor engagement and the attractiveness of our properties, we are intensifying our marketing campaigns and diversifying our event offerings. Our commitment extends to strengthening tenant attraction and bolstering occupancy rates through proactive leasing initiatives. This holistic approach underscores our dedication to fostering vibrant and thriving environments that cater to the evolving needs of our customers and adapt seamlessly to the changing economic landscape.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2023 (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	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Income tax	(5,076)	(1,203)	(9,200)	(6,776)
Deferred tax	760	(2,227)	1,799	(3,891)
	<u>(4,316)</u>	<u>(3,430)</u>	<u>(7,401)</u>	<u>(10,667)</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 year ended 31 December 2023.

B7. Purchase or disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial year ended 31 December 2023.

B8. Status of corporate proposals

There was no corporate proposal announced but not completed as at 28 February 2024.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2023 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B9. Borrowings and debt securities**

	As at 31.12.2023	
	Current	Non-current
	RM'000	RM'000
Secured		
Sukuk Murabahah	92,813	401,358
Term loan	25,795	3,750
Revolving credit	46,700	-
	<u>165,308</u>	<u>405,108</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:

- RM24,630,000.00 for liquidated damages;
- RM2,320,346.77 for increased cost incurred for appointment of 3rd party contractors;
- RM3,000,000.00 for classic penalty;
- General Damages;
- Interest;
- Costs; and
- 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 31 DECEMBER 2023 (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 31 December 2023.

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 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 Pulai, Daerah Johor Bahru, Johor Darul Takzim" ("Project").

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2023 (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.

Konsortium Ipmines Merz Sdn Bhd ("KIMSB") had previously commenced an adjudication proceeding against Encorp Iskandar Development Sdn Bhd ("EIDSB") for a part of its counterclaim in the arbitration as above.

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B10. Changes in material litigation (contd.)

(c) Encorp Iskandar Development Sdn Bhd and Konsortium Ipmines Merz Sdn Bhd (contd.)

The Federal Court has on 4.12.2023 subsequently affirmed the Court of Appeal's decision in setting aside KIMSB's adjudication award of RM13,747,780.16 together with interest and cost and dismissed KIMSB's applications with cost of RM30,000.

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 31 DECEMBER 2023 (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 31 December 2023.

B12. Profit for the year

	Quarter ended 31.12.2023 RM'000	Year-to-date ended 31.12.2023 RM'000
The loss is arrived at after charging/(crediting):		
a) Interest income	(1,398)	(5,612)
b) Other income	(5,568)	(7,635)
c) Interest expense	14,999	59,193
d) Depreciation and amortisation	702	2,430
e) Employee benefits	2,862	13,515
f) Unrealised gain on foreign exchange	(1,624)	(2,373)
g) Operating lease		
- premises	(54)	(14)
- equipment	17	67
- others	18	38
h) Expected credit losses on trade and other receivables	791	791
i) Provision for short-term accumulating compensated balances	268	268
j) Deposit written off	68	68
k) Property, plant and equipment written off	4	4
l) Gain of fair value of investment properties	(3,800)	(3,800)
m) Reversal of inventories written down	(990)	(990)
n) Unwinding of discount on other liabilities at amortised costs	698	698
	<u>698</u>	<u>698</u>

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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LISTING REQUIREMENTS OF BURSA (contd.)****B13. Earnings/(Loss) per share ("EPS")**

a) Basic EPS

	Quarter ended		Year-to-date ended	
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	RM'000	RM'000	RM'000	RM'000
Loss attributable to owners of the parent	<u>(4,653)</u>	<u>(11,954)</u>	<u>(9,188)</u>	<u>(20,141)</u>
Weighted average number of ordinary shares in issue	<u>316,299</u>	<u>316,299</u>	<u>316,299</u>	<u>316,299</u>
Basic EPS (sen)	<u>(1.47)</u>	<u>(3.78)</u>	<u>(2.90)</u>	<u>(6.37)</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 28 February 2024.

By Order of the Board

ENCORP BERHAD

Company No. 200001004231 (506836-X)

Lee Lay Hong

Company Secretary

Date: 28 February 2024