



Company No. 200001004231 (506836-X)

(Incorporated in Malaysia)

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

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

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

	Quarter ended		Year-to-date ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Revenue	35,103	21,719	62,512	51,877
Cost of sales	(13,009)	(3,009)	(20,403)	(13,960)
Gross profit	22,094	18,710	42,109	37,917
Other income	620	3,142	1,683	5,361
Selling and marketing expenses	(237)	(184)	(435)	(383)
Administrative expenses	(5,891)	(940)	(9,495)	(7,370)
Finance costs	(18,316)	(29,052)	(36,461)	(58,654)
Other expenses	(589)	(630)	(1,190)	(1,232)
Loss before tax	(2,319)	(8,954)	(3,789)	(24,361)
Income tax	616	(724)	(46)	(881)
Loss net of tax	(1,703)	(9,678)	(3,835)	(25,242)
Other comprehensive income/(loss)				
Foreign currency translation	548	(1,884)	(195)	(639)
Total comprehensive loss for the year	(1,155)	(11,562)	(4,030)	(25,881)
Loss attributable to:				
Owners of the parent	(2,064)	(8,966)	(3,696)	(23,660)
Non-controlling interest	361	(712)	(139)	(1,582)
	(1,703)	(9,678)	(3,835)	(25,242)
Total comprehensive loss attributable to:				
Owners of the parent	(1,516)	(10,850)	(3,891)	(24,299)
Non-controlling interest	361	(712)	(139)	(1,582)
	(1,155)	(11,562)	(4,030)	(25,881)
Loss per share attributable to owner of the parent (sen)				
Basic	(0.66)	(2.93)	(1.18)	(7.73)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

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Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Assets		
Non-current assets		
Property, plant and equipment	4,956	5,084
Right-of-use assets	18,608	19,622
Intangible assets	11	14
Investment properties	284,050	284,050
Land held for property development	36,730	36,683
Trade and other receivables	588,926	627,313
Deferred tax assets	9,278	9,356
	<u>942,559</u>	<u>982,122</u>
Current assets		
Property development costs	8,583	15,253
Inventories	128,565	129,684
Contract assets	-	343
Tax recoverable	1,227	1,294
Trade and other receivables	116,952	128,912
Other current assets	495	761
Other investments	122,150	127,799
Cash and cash equivalents	43,343	29,892
	<u>421,315</u>	<u>433,938</u>
Total assets	<u>1,363,874</u>	<u>1,416,060</u>

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

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	66,947	70,195
Other current liabilities	21,718	21,407
Contract liabilities	538	8,326
Loans and borrowings	130,758	127,329
Income tax payable	2,392	2,435
	<u>222,353</u>	<u>229,692</u>
Non-current liabilities		
Trade and other payables	18,051	17,668
Loans and borrowings	677,929	719,175
Deferred tax liabilities	1,468	1,422
	<u>697,448</u>	<u>738,265</u>
Total liabilities	<u>919,801</u>	<u>967,957</u>
Equity attributable to owners of parent		
Share capital	399,016	399,016
Treasury shares	(327)	(327)
Other reserves	22,458	22,653
Accumulated Loss	(61,305)	(57,609)
	<u>359,842</u>	<u>363,733</u>
Non-controlling interest	84,231	84,370
Total equity	<u>444,073</u>	<u>448,103</u>
Total equity and liabilities	<u>1,363,874</u>	<u>1,416,060</u>
Net assets per share attributable to owner of the parents (RM/share)	<u>1.14</u>	<u>1.15</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2021**

	←		Non-distributable		→		Total equity RM'000
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Accumulated Loss RM'000	Total RM'000	Non-controlling interest RM'000	
At 1 January 2021	399,016	(327)	22,653	(57,609)	363,733	84,370	448,103
Loss for the year	-	-	-	(3,696)	(3,696)	(139)	(3,835)
Other comprehensive loss	-	-	(195)	-	(195)	-	(195)
Total comprehensive loss for the year	-	-	(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
At 1 January 2020	397,280	(327)	2,902	(53,966)	345,889	87,335	433,224
Loss for the year	-	-	-	(23,660)	(23,660)	(1,582)	(25,242)
Other comprehensive loss	-	-	(639)	-	(639)	-	(639)
Total comprehensive loss for the year	-	-	(639)	(23,660)	(24,299)	(1,582)	(25,881)
At 30 June 2020	397,280	(327)	2,263	(77,626)	321,590	85,753	407,343

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2021**

	Period ended	
	30.06.2021	30.06.2020
	RM'000	RM'000
Cash flows from operating activities		
Loss before tax	(3,789)	(24,361)
<u>Adjustments:</u>		
Depreciation	1,187	1,189
Amortisation of intangible assets	3	43
Interest expenses	36,461	58,654
Loss on disposal of investment security	88	76
Distribution income from money market investment security	(1,146)	(2,018)
Interest income	(111)	(1,233)
Deposit forfeited income	(76)	-
Expected credit losses of trade receivables	701	304
Unrealised gain on forex	(274)	(1,083)
Operating profit before working capital changes	<u>33,044</u>	<u>31,571</u>
<u>Changes in working capital:</u>		
Changes in land held for property development and property development cost	6,623	54,764
Inventories	1,119	(49,862)
Trade and other receivables	49,996	46,310
Contract assets and contract liabilities	(7,445)	(6,508)
Other current assets	266	17
Trade and other payables	(3,162)	(12,980)
Other current liabilities	311	(132)
Cash generated from operations:	<u>80,752</u>	<u>63,180</u>
Income tax	102	(1,142)
Interest paid	(2,309)	(26,088)
Net cash generated from operating activities	<u>78,545</u>	<u>35,950</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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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 JUNE 2021 (contd.)**

	Period ended	
	30.06.2021 RM'000	30.06.2020 RM'000
Cash flows from investing activities		
Interest received	23	1,157
Acquisition of property, plant and equipment	(45)	(27)
Addition of Right-of-use assets	-	(548)
Distribution income received	1,265	2,018
Withdrawal/(Placement) of investment security	5,530	(1,137)
Net cashflow generated from investing activities	<u>6,773</u>	<u>1,463</u>
Cash flows from financing activities		
Net borrowing of loans & borrowing	(4,045)	(950)
Repayment of Sukuk Murabahah	(66,429)	(45,001)
Withdrawal/(Pledge) of deposits	20	(17)
Net payment in finance lease payables	(1,248)	(650)
Net cashflow used in financing activities	<u>(71,702)</u>	<u>(46,618)</u>
Net decrease in cash and cash equivalents	13,616	(9,205)
Effect of exchange rate changes	(145)	(444)
Cash and cash equivalents at beginning of period	27,121	42,868
Cash and cash equivalents at end of period	<u>40,592</u>	<u>33,219</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	2,720	2,971
- Licensed corporation	31	31
Cash and bank balances	<u>40,592</u>	<u>33,219</u>
	43,343	36,221
Less: Bank balances and deposits pledged	<u>(2,751)</u>	<u>(3,002)</u>
Cash and cash equivalents at end of period	<u>40,592</u>	<u>33,219</u>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2020 and the accompanying explanatory notes attached to the interim financial statements.

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

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

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

A2. Summary of significant accounting policies (contd.)

b) MFRSs and Amendments to MFRSs but not yet effective (contd.)

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

A3. Auditors' Report on Preceding Annual Financial Statements

The Group's latest audited financial statements for the financial year ended 31 December 2020 were not subject to any qualification.

A4. Comments about seasonal or cyclical factors

The Group's performance is not affected by any seasonal or cyclical factors.

A5. Unusual items due to their nature, size or incidence

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

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

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

A6. Debt and equity securities

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

a) Treasury shares

As at 30 June 2021, the total number of treasury shares held was 386,000.

b) Sukuk Murabahah

Total repayment of Sukuk Murabahah's principal and profit payment amounting to RM66.4 million had been remitted in the financial year 2021 whereas the next principal and profit payment amounting to RM70.7 million is scheduled in November 2021.

The Sukuk Murabahah was issued in May 2012 by a subsidiary company, Encorp Systembilt Sdn Bhd ('ESSB') to refinance the entire amount outstanding under Al-Bai' Bithaman Ajil Notes and to fund the Trustee' Reimbursement Account.

The Sukuk Murabahah is secured by the assignment of the contract Concession Payments, a debenture to create a first ranking fixed and floating charge over all present and future assets of the subsidiary and a first ranking charge and assignment of the designated accounts which include an Escrow Account and a Finance Service Reserve Account. ESSB is a special purpose vehicle and these Sukuk Murabahah raised do not have any financial recourse to the Group.

A7. Dividend paid

No dividend was paid during the quarter ended 30 June 2021.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2021 (contd.)**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A8. Segmental information**

The Group's segment revenue and results are presented by industry segments for the period ended 30 June 2021 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	-	33,900	25,979	2,633	-	-	-	62,512
Inter-segment	3,220	-	-	377	-	-	(3,597)	-
Total Revenue	3,220	33,900	25,979	3,010	-	-	(3,597)	62,512
Results:								
Segment results	(2,323)	33,025	2,802	(607)	(262)	(254)	313	32,694
Interest income	1,680	1,103	4,327	-	-	2	(5,944)	1,168
Interest expense	(1,219)	(33,246)	(3,630)	(4,300)	(8)	(2)	5,944	(36,461)
Depreciation and amortisation	(974)	-	(41)	(123)	-	(1)	(51)	(1,190)
(Loss)/Profit before tax	(2,836)	882	3,458	(5,030)	(270)	(255)	262	(3,789)

* 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 2021 (contd.)****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A9. Material events subsequent to the balance sheet date**

There was no material events subsequent to the financial period ended 30 June 2021 up to the date of this report.

A10. Changes in the composition of the Group

There is no material change in the composition of the Group for the financial period ended 30 June 2021 up to the date of this report.

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

Corporate guarantee given to banks for credit facilities
granted to subsidiaries

30.06.2021	30.06.2020
RM'000	RM'000

12,556	11,828
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A12. Capital commitments

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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 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
(Q2-2021 vs. Q2-2020)**

The Group recorded a revenue of RM35.1 million in Q2-2021 as compared to a revenue of RM21.7 million in Q2-2020, an increase of 61.8% or RM13.4 million in revenue.

Increase in revenue is mainly contributed from property development segment as the Government allowed our property development sector to operate at a reduced scale of operation until a stringent lockdown was imposed from 1 June 2021. The outbreak of Covid-19 that started in the beginning of 2020 triggered a Movement Control Order from 18 March 2020 to mid of May 2020 and caused the property transaction and construction works to come to the standstill from 18 March 2020 till early June 2020 and hence recorded a lower revenue in Q2-2020.

Group loss before tax stood at RM2.3 million against the previous year's corresponding quarter loss before tax of RM9.0 million, an improvement of RM6.7 million or 74.4%. Reduction in loss before tax is due to the removal of interest costs incurred for the Bukit Katil Land subsequent to the settlement agreement with Federal Land Development Authority ("FELDA"). In Q2-2020, the Group incurred finance costs on Bukit Katil Land of RM9.2 million.

Property Development

The core business division of Encorp has recorded a revenue of RM17.0 million in Q2-2021 as compared to a revenue of RM2.5 million in Q2-2020, an increase of RM14.5 million. The outbreak of Covid-19 in our country started since early 2020 has triggered Movement Control Order from 18 March 2020 to mid of May 2020 causing property transaction to come to a standstill.

Landed residential projects in Cahaya Alam are able to generate favourable sales to the Group, where 91% of property development revenue in Q2-2021 was generated from the on-going projects. During Q2-2021, the Government allowed our property development sector to operate with a reduced scale of operation until 1 June 2021 after which the FMCO was imposed due to the significant spike in Covid-19 cases. However, the sales of high-rise properties in Johor and Selangor remained weak due to overhang of completed properties and poor buying sentiment.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 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
(Q2-2021 vs. Q2-2020) (contd.)****Property Development (contd.)**

Profit before tax for the segment in Q2-2021 recorded at RM2.6 million as compared to a loss before tax of RM7.7 million in Q2-2020, reflecting an improvement of RM10.3 million. The improvement in profit before tax is mainly due to the settlement agreement entered between one of the Group's subsidiary, Encorp Bukit Katil Sdn. Bhd. ("EBKSB") and FELDA on 30 December 2020 to discharge the obligation on Bukit Katil Land. Arising from the settlement agreement, EBKSB no longer need to incur the accretion of interest and interest charges for late payment on Bukit Katil land. In Q2-2020, the accretion of interest and interest charges on Bukit Katil Land is RM9.2 million.

Investment Property

The revenue for the investment property segment was RM1.3 million in Q2-2021 as compared to RM0.8 million in Q2-2020. This segment has recorded a loss before tax of RM2.6 million in Q2-2021 as compared to loss before tax of RM2.9 million in Q2-2020.

Improvement in revenue is due to the rental rebate granted to tenant for Q2-2021 not being finalised as the FMCO is still in effect. The Covid-19 pandemic crisis is having a devastating impact on the retail industry and greatly affects the footfall of the mall and rebates are necessary to assist our tenants. The prolonged MCO has caused retail businesses to remain weak which affects the occupancy rate and rental income of the investment property.

The management plans to intensify marketing activities, review business model, embracing technology and strengthen leasing activities to improve occupancy rate at Encorp Strand Mall as well as footfall traffic in this challenging current retail environment.

Concessionaire

The concession division recorded a revenue of RM16.7 million in Q2-2021 as compared to a revenue of RM18.4 million in Q2-2020.

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

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

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

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

B2. Comparison with Immediate Preceding Quarter

The Group reported a revenue of RM35.1 million in Q2-2021 as compared to a revenue of RM27.4 million in Q1-2021, an increase of RM7.7 million or 28.1% over the preceding quarter. Increase in revenue for Q2-2021 as compared to Q1-2021 is mainly contributed by the property development segment.

The property development segment reported a revenue of RM17.0 million in Q2-2021 as compared to RM8.9 million in Q1-2021. MCO 2.0 imposed during Q1-2021 ended on 4 March 2021 and replaced by Conditional Movement Control Order (“CMCO”) from 5 March 2021. The Government allowed property development sector to operate at a reduced scale of operation. Our on-going landed projects in Cahaya Alam has generated favourable sales with revenue of RM15.5 million in Q2-2021. On the other hand, the sales of high-rise properties in Johor and Selangor remained weak due to an overhang of completed properties and poor buying sentiment.

The Group recorded a loss before tax in Q2-2021 of RM2.3 million compared to a loss before tax of RM1.5 million in Q1-2021, an increase of RM0.7 million. Increase in loss before tax for Q2-2021 as compared to Q1-2021 is caused by a loss on foreign exchange for receivable balances of a subsidiary in Australia in Q2-2021 of RM0.8 million as opposed to a gain on foreign exchange recorded in Q1-2021 of RM1.0 million.

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

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

B3. Commentary on prospects

The Government has imposed a more stringent lockdown since 1 June 2021 in view of the significant surge in Covid-19 cases. This has exacerbated the challenges encountered by all sectors of the economy. The Covid-19 pandemic continued to have an adverse effect on our property sales and work-in-progress.

Despite the above, our on-going landed residential properties in Cahaya Alam continue to show a positive demand due to its strategic location with matured township. However, the overhang of high-rise residential properties continues to be challenging, especially for our high-rise properties in Puteri Harbour Johor due to the continued closure of international borders.

Retail industry has also been one of the hardest hit industries following a more stringent lockdown in the country to curb the spread of the virus. The retail industry encountered a drastic hit as only essential business sectors are allowed to operate. Physical retailers have seen a huge drop in their business as buyers switch to the new norm of online shopping.

The Group will continue to embrace technology by conducting aggressive marketing activities and provide attractive sales package to improve the sale of landed residential properties at Encorp Cahaya Alam in Shah Alam as well as high-rise properties in Puteri Harbour Johor and Encorp Strand Residence.

The Group remains cautious on the future prospects in view of the current Covid-19 pandemic crisis. On the landed properties at Encorp Cahaya Alam, the Group will continue to launch the new phase due to its strategic location, excellent accessibility and favourable response in its recent launches. The Group will also look to launch new projects with an emphasis on affordability and in areas where the property overhang is lower.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2021 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B4. Variance from forecast profit and profit guarantee**

Not applicable.

B5. Income tax

	Quarter ended		Period-to-date ended	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Income tax	467	(3,239)	78	(3,545)
Deferred tax	149	2,515	(124)	2,664
	<u>616</u>	<u>(724)</u>	<u>(46)</u>	<u>(881)</u>

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

B6. Disposal of unquoted investments, assets and properties

There were no disposal of unquoted investments and/or properties for the financial period ended 30 June 2021.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 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 period ended 30 June 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.

B9. Borrowings and debt securities

	As at 30.06.2021	
	Current	Non-current
	RM'000	RM'000
Secured		
Sukuk Murabahah	70,081	618,679
Term loan	13,501	34,618
Bridging loan	-	5,227
Revolving credit	45,850	-
Lease liabilities	1,326	19,405
	<u>130,758</u>	<u>677,929</u>

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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') had 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 for arbitration, pursuant to the provisions of the Conditions of Contract.

MEDSB is the employer who 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 has commenced against BCSB to seek, among others, the following relief:

- a) MEDSB's claim of RM24,630,000.00 for liquidated damages;
- b) MEDSB's claim of RM2,320,346.77 for increased cost incurred for appointment of 3rd party contractors;
- c) MEDSB's claim of RM3,000,000.00 for classic penalty;
- d) General Damages;
- e) Interest;
- f) Costs; and
- g) Any further and other reliefs the Tribunal may deem appropriate.

Bumimetro has counterclaimed against MEDSB, among others, the sum of RM12,534,461.52 being the sums certified, 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 period ending 30 June 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.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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LISTING REQUIREMENTS OF BURSA (contd.)****B10. Changes in material litigation (contd.)****(b) Encorp Iskandar Development Sdn Bhd and Konsortium Ipmines Merz Sdn Bhd**

Encorp Iskandar Development Sdn Bhd (“EIDSB”) had 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 for arbitration, pursuant to the provisions of the Conditions of Contract.

EIDSB is the employer who 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 has commenced against KIMSB to seek, among others, the following relief:

- a) EIDSB’s claim of RM11,760,000.00 for liquidated damages;
- b) EIDSB’s claim of RM409,031.08 for the payment to third party contractors;
- c) EIDSB’s claim of RM13,084,610.00 for cost in rectifying the defective works and completing the outstanding works;
- d) EIDSB’s claim of RM112,110,789.00 for the loss of profits;
- e) In the alternative to (a), (b), (c) and (d) above, such other amount as assessed by the Arbitrator;
- f) Loss of profit for the delay of the works;
- g) Financing charges and/or interest charges on the monies spent on third party contractors;
- h) Opening up, review, revision and setting aside the architect’s decisions and certifications;
- i) All cost and expenses incurred including solicitors’ cost on an indemnity and party to party basis, interest and taxes; and
- j) General damages.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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LISTING REQUIREMENTS OF BURSA (contd.)****B10. Changes in material litigation (contd.)****(b) Encorp Iskandar Development Sdn Bhd and Konsortium Ipmines Merz Sdn Bhd (contd.)**

Pending outcome of the Arbitrator's decision, it is too preliminary at this stage to ascertain the potential financial gain or loss that could arise from the arbitration. This arbitration does not have any material financial impact on the Encorp Group for the time being.

None of the directors and/or major shareholders of Encorp and/or persons connected with them has any interest, direct or indirect in the aforesaid arbitration proceeding.

Details of the notice of the arbitration can be found in the announcement dated 6th November 2019.

B11. Dividends

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

B12. Profit for the period

	Quarter ended 30.06.2021 RM'000	Period-to-date ended 30.06.2021 RM'000
The profit/(loss) is arrived at after charging/(crediting):		
a) Interest income	(374)	(1,169)
b) Other income	(246)	(514)
c) Interest expense	18,316	36,461
d) Depreciation and amortisation	589	1,190
e) Employee benefits	3,094	5,891
f) Unrealised gain on foreign exchange	772	(274)
g) Operating lease		
- equipment	15	35
h) Expected credit losses of receivables	26	701

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2021 (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	
	30.06.2021	30.06.2020	30.06.2021	30.06.2020
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to owners of the parent	<u>(2,064)</u>	<u>(8,966)</u>	<u>(3,696)</u>	<u>(23,660)</u>
Weighted average number of ordinary shares in issue	<u>313,306</u>	<u>306,088</u>	<u>313,306</u>	<u>306,088</u>
Basic EPS (sen)	<u>(0.66)</u>	<u>(2.93)</u>	<u>(1.18)</u>	<u>(7.73)</u>

b) Diluted EPS

At the date of this report the Company has no other dilutive potential ordinary shares. Accordingly, the diluted EPS for the current financial period is not presented.

B14. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 27 August 2021.

By Order of the Board

ENCORP BERHAD

Company No. 200001004231 (506836-X)

Lee Lay Hong

Company Secretary

Date: 27 August 2021