



(506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER 30 SEPTEMBER 2018**

	Quarter ended		Year-to-date ended	
	30.09.2018	30.09.2017 (Restated)	30.09.2018	30.09.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Revenue	54,675	21,040	155,335	179,026
Cost of sales	(23,358)	(15,584)	(51,896)	(92,006)
Gross profit	31,317	5,456	103,439	87,020
Other income	1,834	4,438	5,735	10,246
Selling and marketing expenses	(124)	(148)	(364)	(3,486)
Administrative expenses	(8,543)	(9,132)	(25,220)	(24,107)
Finance costs	(23,167)	(24,934)	(68,668)	(73,632)
Other expenses	(198)	(213)	(631)	(642)
Profit/(Loss) before tax	1,119	(24,533)	14,291	(4,601)
Income tax expense	(2,392)	5,531	(8,158)	(1,403)
Profit/(Loss) net of tax	(1,273)	(19,002)	6,133	(6,004)
Other comprehensive income/(loss)				
Foreign currency translation	(11)	(794)	1,475	(653)
Total comprehensive income for the year	(1,284)	(19,796)	7,608	(6,657)
Profit/(Loss) attributable to:				
Owners of the parent	(1,207)	(18,633)	7,015	(6,140)
Non-controlling interest	(66)	(369)	(882)	136
	(1,273)	(19,002)	6,133	(6,004)
Total comprehensive income/(loss) attributable to:				
Owners of the parent	(1,218)	(19,427)	8,490	(6,793)
Non-controlling interest	(66)	(369)	(882)	136
	(1,284)	(19,796)	7,608	(6,657)
Earnings per share attributable to owner of the parent (sen)				
Basic	(0.41)	(6.66)	2.39	(2.19)

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 2017 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018**

	As at 30.09.2018	As at 31.12.2017 (Restated)	As at 01.01.2017 (Restated)
	RM'000	RM'000	RM'000
Assets			
Non-current assets			
Property, plant and equipment	5,778	6,258	6,878
Intangible assets	18,742	18,875	25,042
Investment properties	314,740	314,740	325,130
Investment in associate	30	30	-
Land held for property development	391,258	385,469	293,836
Trade and other receivables	775,363	814,222	866,693
Other investments	4,479	4,741	4,857
Deferred tax assets	21,983	9,548	9,774
	<u>1,532,373</u>	<u>1,553,883</u>	<u>1,532,210</u>
Current assets			
Property development costs	159,991	150,662	236,587
Inventories	86,910	101,687	100,132
Tax recoverable	4,756	11,823	5,185
Trade and other receivables	167,079	92,816	134,664
Other current assets	8,452	96,057	48,873
Other investments	136,916	118,331	113,267
Cash and bank balances	52,476	22,689	62,843
	<u>616,580</u>	<u>594,065</u>	<u>701,551</u>
Asset of disposal group classified as held for sale	97	97	23,087
	<u>616,677</u>	<u>594,162</u>	<u>724,638</u>
Total assets	<u>2,149,050</u>	<u>2,148,045</u>	<u>2,256,848</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2018 (contd.)**

	As at 30.09.2018	As at 31.12.2017 (Restated)	As at 01.01.2017 (Restated)
	RM'000	RM'000	RM'000
Equity and liabilities			
Current liabilities			
Trade and other payables	253,645	233,082	209,277
Other current liabilities	70,937	102,924	30,326
Loans and borrowings	118,970	109,812	141,623
Income tax payable	11,414	1,400	2,692
	<u>454,966</u>	<u>447,218</u>	<u>383,918</u>
Liabilities directly associated with disposal group classified as held for sale	946	945	934
	<u>455,912</u>	<u>448,163</u>	<u>384,852</u>
Non-current liabilities			
Trade and other payables	300,707	300,610	334,434
Loans and borrowings	895,117	909,112	1,017,041
Deferred tax liabilities	2,456	2,910	3,538
	<u>1,198,280</u>	<u>1,212,632</u>	<u>1,355,013</u>
Total liabilities	<u>1,654,192</u>	<u>1,660,795</u>	<u>1,739,865</u>
Equity attributable to owners of parent			
Share capital	392,898	392,898	278,648
Share premium	-	-	104,302
Treasury shares	(327)	(327)	(327)
Other reserves	2,539	1,064	180
Retained earnings	14,229	7,214	43,318
	<u>409,339</u>	<u>400,849</u>	<u>426,121</u>
Non-controlling interest	85,519	86,401	90,862
Total equity	<u>494,858</u>	<u>487,250</u>	<u>516,983</u>
Total equity and liabilities	<u>2,149,050</u>	<u>2,148,045</u>	<u>2,256,848</u>
Net assets per share attributable to owner of the parents (RM/share)	<u>1.39</u>	<u>1.43</u>	<u>1.53</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

	← Non-distributable →				Distributable		Non-controlling interest RM'000	Total equity RM'000
	Share capital RM'000	Share premium RM'000	Treasury shares RM'000	Other reserves RM'000	Retained Profit RM'000	Total RM'000		
At 1 January 2018 (Restated)	392,898	-	(327)	1,064	7,214	400,849	86,401	487,250
Total comprehensive income for the period	-	-	-	-	7,015	7,015	(882)	6,133
Other comprehensive income	-	-	-	1,475	-	1,475	-	1,475
At 30 Sept 2018	392,898	-	(327)	2,539	14,229	409,339	85,519	494,858
At 1 January 2017	278,648	104,302	(327)	180	39,199	422,002	90,862	512,864
Effect of the first-time adoption of MFRS	-	-	-	-	4,119	4,119	-	4,119
At 1 January 2017 (Restated)	278,648	104,302	(327)	180	43,318	426,121	90,862	516,983
Total comprehensive income for the period	-	-	-	-	(6,140)	(6,140)	136	(6,004)
Other comprehensive income	-	-	-	(653)	-	(653)	-	(653)
Transaction with owners:								
Transfer arising from "no par value" regime	104,302	(104,302)	-	-	-	-	-	-
At 30 Sept 2017 (Restated)	382,950	-	(327)	(473)	37,178	419,328	90,998	510,326

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

	Year-to-date ended	
	30.09.2018	30.09.2017 (Restated)
	RM'000	RM'000
Cash flows from operating activities		
Profit/(Loss) before taxation	14,291	(4,601)
Adjustments:		
Depreciation	498	505
Amortisation of intangible assets	133	137
Reversal of impairment of trade receivables	-	(1,369)
Interest expenses	68,668	73,632
Gain on disposal of investment security	(189)	(299)
Distribution income from money market investment security	(2,999)	(2,821)
Interest income	(1,331)	(1,298)
Gain on disposal of land	-	(2,141)
Deposit forfeited income	(941)	(165)
Allowance for impairment on trade receivables	737	-
Allowance for impairment on other receivables	257	-
Liquidated and ascertained damages	2,505	25,829
Reversal of liquidated and ascertained damages	(15,822)	-
Unrealized loss/(gain) on forex	2,777	(2,264)
Operating profit before working capital changes	68,584	85,145
Changes in working capital:		
Net changes in current assets	64,148	121,073
Net changes in current liabilities	1,991	(42,540)
Net changes in land held for property development and property development cost	(15,118)	(1,729)
Cash generated from operations:	119,605	161,949
Income tax paid	(3,966)	(8,698)
Interest paid	(5,578)	(6,788)
Net cash generated from operating activities	110,061	146,463
Cash flows from investing activities		
Interest received	1,331	1,597
Purchase of property, plant and equipment	(18)	(36)
Investment in joint venture	-	(30)
Proceeds from disposal of land	-	25,000
Distribution income received	3,188	2,821
Withdrawal/(Placement in) of investment security	(18,323)	(44,640)
Net cashflow generated from/(used in) investing activities	(13,822)	(15,288)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)**

	Year-to-date ended	
	30.09.2018	30.09.2017 (Restated)
	RM'000	RM'000
Cash flows from financing activities		
Repayment of loans & borrowing	(10,055)	(85,006)
Repayment of Sukuk Murabahah	(67,030)	(69,029)
(Placement)/Withdrawal of deposits pledged	(47)	-
Private Placement of 15,304,401 unit of shares	-	9,948
Drawdown from loans and borrowings	9,905	3,941
Net payment in finance lease payables	(22)	(32)
	<u>(67,249)</u>	<u>(140,178)</u>
Net cashflow used in financing activities		
Net decrease in cash and cash equivalents	28,990	(9,003)
Effect of exchange rate changes	1,475	(831)
Cash and cash equivalents at beginning of period	<u>19,242</u>	<u>58,967</u>
Cash and cash equivalents at end of period	<u>49,707</u>	<u>49,133</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	2,831	2,793
- Licensed corporation	30	47
Cash and bank balances	<u>49,615</u>	<u>49,739</u>
	52,476	52,579
Add: Disposal group held for sale	97	228
Less: Bank overdrafts	(5)	(881)
Bank balances and deposits pledged / designated	<u>(2,861)</u>	<u>(2,793)</u>
Cash and cash equivalents at end of period	<u>49,707</u>	<u>49,133</u>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2017 and the accompanying explanatory notes attached to the interim financial statements.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018**

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 that has become effective on 31 January 2017.

This Condensed Report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017. 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 2017.

The Group with effect from 1 January 2018 has adopted the MFRS framework issued by the Malaysian Accounting Standards Board (“MASB”). This MFRS framework was introduced by the MASB in order to fully converge Malaysia's existing Financial Reporting Standards (“FRS”) framework with the International Financial Reporting Standards (“IFRS”) framework issued by the International Accounting Standards Board. Whilst all FRSs issued under the previous FRS framework were equivalent to the MFRSs issued under the MFRS framework, there are some differences in relation to the transitional provisions and effective dates contained in certain of the FRSs.

This Condensed Report which is covered by the MFRS framework and have applied the MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards. Comparative figures, where applicable, have been restated as result of transition to MFRS framework. The financial effects of transition to the MFRS framework and any consequential changes in accounting policies as a result of the transition are presented on page 9 to page 12 of this report.

The Condensed Report, other than for financial instruments have been prepared under the historical cost convention. Financial instruments are carried at fair value in accordance to Malaysian Financial Reporting Standard (“MFRS”) 9 Financial Instrument: Recognition and Measurement.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)**

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

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 2017, except for the following new MFRSs, Amendments to MFRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2018.

a) Standards Amendments and Annual Improvement to standards effective for the financial periods beginning on or after 1 January 2018

Description	Effective for annual periods beginning on or after
MFRS 9 Financial Instruments (IFRS 9 as issued by IASB)	1 January 2018
MFRS 15 Revenue from Contracts with Customers (and the related Clarifications)	1 January 2018
Amendments to MFRS 2 Clarification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4 Applying FRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
Amendments to MFRSs Annual Improvements to MFRS 2014 - 2016	1 January 2018

b) MFRS, IC Interpretations and Amendments to IC Interpretation but not yet effective

Description	Effective for annual periods beginning on or after
MFRS 16 Leases	1 January 2019
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint-Ventures	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Payments	1 January 2021
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)

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

A3. Effect of the transition to the MFRS framework

The financial impacts to the condensed report from the adoption of MFRSs are disclosed in the following tables.

a) Reconciliation of statement of comprehensive income

	Quarter ended 30.09.2017	Effect of Adoption of MFRS	Quarter ended 30.09.2017 (Restated)	Year-to-date ended 30.09.2017	Effect of Adoption of MFRS	Year-to-date ended 30.09.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	56,384	(35,344)	21,040	206,596	(27,570)	179,026
Cost of sales	(47,267)	31,683	(15,584)	(114,736)	22,730	(92,006)
Gross profit	9,117	(3,661)	5,456	91,860	(4,840)	87,020
Other income	4,438	-	4,438	10,246	-	10,246
Selling and marketing expenses	(81)	(67)	(148)	(3,143)	(343)	(3,486)
Administrative expenses	(9,132)	-	(9,132)	(24,107)	-	(24,107)
Finance costs	(24,934)	-	(24,934)	(73,632)	-	(73,632)
Other expenses	(213)	-	(213)	(642)	-	(642)
Profit before tax	(20,805)	(3,728)	(24,533)	582	(5,183)	(4,601)
Income tax expense	4,637	894	5,531	(2,646)	1,243	(1,403)
Profit net of tax	(16,168)	(2,834)	(19,002)	(2,064)	(3,940)	(6,004)
Other comprehensive income						
Foreign currency translation	(794)	-	(794)	(653)	-	(653)
Total comprehensive income for the year	(16,962)	(2,834)	(19,796)	(2,717)	(3,940)	(6,657)
Profit/(Loss) attributable to:						
Owners of the parent	(15,799)	(2,834)	(18,633)	(2,200)	(3,940)	(6,140)
Non-controlling interest	(369)	-	(369)	136	-	136
	(16,168)	(2,834)	(19,002)	(2,064)	(3,940)	(6,004)
Total comprehensive income/(loss) attributable to:						
Owners of the parent	(16,593)	(2,834)	(19,427)	(2,853)	(3,940)	(6,793)
Non-controlling interest	(369)	-	(369)	136	-	136
	(16,962)	(2,834)	(19,796)	(2,717)	(3,940)	(6,657)

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)

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

A3. Effect of the transition to the MFRS framework (contd.)

b) Reconciliation of statement of financial position

	As at 31.12.2017 (Audited) RM'000	Effect of Adoption of MFRS RM'000	As at 31.12.2017 (Restated) RM'000	As at 01.01.2017 (Audited) RM'000	Effect of Adoption of MFRS RM'000	As at 01.01.2017 (Restated) RM'000
Assets						
Non-current assets						
Property, plant and equipment	6,258	-	6,258	6,878	-	6,878
Intangible assets	18,875	-	18,875	25,042	-	25,042
Investment properties	314,740	-	314,740	325,130	-	325,130
Investment in associate	30	-	30	-	-	-
Land held for property development	385,469	-	385,469	293,836	-	293,836
Trade and other receivables	814,222	-	814,222	866,693	-	866,693
Other investments	4,741	-	4,741	4,857	-	4,857
Deferred tax assets	9,548	-	9,548	9,774	-	9,774
	<u>1,553,883</u>	<u>-</u>	<u>1,553,883</u>	<u>1,532,210</u>	<u>-</u>	<u>1,532,210</u>
Current assets						
Property development costs	157,082	(6,420)	150,662	235,888	699	236,587
Inventories	101,687	-	101,687	100,132	-	100,132
Tax recoverable	10,067	1,756	11,823	5,185	-	5,185
Trade and other receivables	92,816	-	92,816	134,664	-	134,664
Other current assets	91,534	4,523	96,057	44,152	4,721	48,873
Other investments	118,331	-	118,331	113,267	-	113,267
Cash and bank balances	22,689	-	22,689	62,843	-	62,843
	<u>594,206</u>	<u>(141)</u>	<u>594,065</u>	<u>696,131</u>	<u>5,420</u>	<u>701,551</u>
Asset of disposal group classified as held for sale	97	-	97	23,087	-	23,087
	<u>594,303</u>	<u>(141)</u>	<u>594,162</u>	<u>719,218</u>	<u>5,420</u>	<u>724,638</u>
Total assets	<u>2,148,186</u>	<u>(141)</u>	<u>2,148,045</u>	<u>2,251,428</u>	<u>5,420</u>	<u>2,256,848</u>

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)

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

A3. Effect of the transition to the MFRS framework (contd.)

b) Reconciliation of statement of financial position (contd.)

	As at 31.12.2017 (Audited) RM'000	Effect of Adoption of MFRS RM'000	As at 31.12.2017 (Restated) RM'000	As at 01.01.2017 (Audited) RM'000	Effect of Adoption of MFRS RM'000	As at 01.01.2017 (Restated) RM'000
Equity and liabilities						
Current liabilities						
Trade and other payables	233,082	-	233,082	209,277	-	209,277
Other current liabilities	102,924	-	102,924	30,326	-	30,326
Loans and borrowings	109,812	-	109,812	141,623	-	141,623
Income tax payable	99	1,301	1,400	1,391	1,301	2,692
	<u>445,917</u>	<u>1,301</u>	<u>447,218</u>	<u>382,617</u>	<u>1,301</u>	<u>383,918</u>
Liabilities directly associated with disposal group classified as held for sale	945	-	945	934	-	934
	<u>446,862</u>	<u>1,301</u>	<u>448,163</u>	<u>383,551</u>	<u>1,301</u>	<u>384,852</u>
Non-current liabilities						
Trade and other payables	300,610	-	300,610	334,434	-	334,434
Loans and borrowings	909,112	-	909,112	1,017,041	-	1,017,041
Deferred tax liabilities	2,910	-	2,910	3,538	-	3,538
	<u>1,212,632</u>	<u>-</u>	<u>1,212,632</u>	<u>1,355,013</u>	<u>-</u>	<u>1,355,013</u>
Total liabilities	<u>1,659,494</u>	<u>1,301</u>	<u>1,660,795</u>	<u>1,738,564</u>	<u>1,301</u>	<u>1,739,865</u>

EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)
PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)

A3. Effect of the transition to the MFRS framework (contd.)

b) Reconciliation of statement of financial position (contd.)

	As at 31.12.2017 (Audited) RM'000	Effect of Adoption of MFRS RM'000	As at 31.12.2017 (Restated) RM'000	As at 01.01.2017 (Audited) RM'000	Effect of Adoption of MFRS RM'000	As at 01.01.2017 (Restated) RM'000
Equity attributable to owners of parent						
Share capital	392,898	-	392,898	278,648	-	278,648
Share premium	-	-	-	104,302	-	104,302
Treasury shares	(327)	-	(327)	(327)	-	(327)
Other reserves	1,064	-	1,064	180	-	180
Retained earnings	8,656	(1,442)	7,214	39,199	4,119	43,318
	402,291	(1,442)	400,849	422,002	4,119	426,121
Non-controlling interest	86,401	-	86,401	90,862	-	90,862
Total equity	488,692	(1,442)	487,250	512,864	4,119	516,983
Total equity and liabilities	2,148,186	(141)	2,148,045	2,251,428	5,420	2,256,848

c) Reconciliation of statement of cash flows

There is no material difference between the statement of cash flows presented under MFRS Framework and statement of cash flows presented under FRS.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)**

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

A4. Auditors' Report on Preceding Annual Financial Statements

The Group's latest audited financial statements for the financial year ended 31 December 2017 were not subject to any qualification.

A5. Comments about seasonal or cyclical factors

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

A6. Unusual items due to their nature, size or incidence

Unrealised foreign exchange loss

Included in the results is an unrealised foreign exchange loss of RM2.8 million. This unrealised loss is from the weakening of the Australian dollar against the Malaysian Ringgit on the translation of the amount due from a foreign subsidiary.

A6. Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities for the quarter ended 30 September 2018 except for the following:

a) Treasury shares

As at 30 September 2018, 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 RM67.0mil had been remitted in May 2018 whereas the next principal and profit payment amounting to RM72.0 million is scheduled in Nov 2018.

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.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)**

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

A6. Debt and equity securities (cont'd)

c) Ordinary Shares

On the 7 September 2017, the company had issued 15,304,401 new ordinary shares via a Private Placement exercise and the issue price per share for the placement is RM0.65. The issuances of new ordinary shares in the exercise above represent the first tranche of the Private Placement exercise. Kindly refer to "B8. Status of corporate proposals" on page 22 for further elaboration on the private placement proposal.

A7. Dividend paid

No dividend was paid during the quarter ended 30 September 2018.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (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 quarter ended 30 September 2018 as follows: -

	Investment holding RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Facilities management RM'000	Others* RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
Revenue								
External customers	-	63,725	80,283	4,469	6,858	-	-	155,335
Inter-segment	4,791	-	-	988	-	-	(5,779)	-
Total Revenue	4,791	63,725	80,283	5,457	6,858	-	(5,779)	155,335
Results:								
Segment results	15,822	62,911	22,589	(1,034)	656	(2,053)	(19,820)	79,071
Interest income	2,325	3,169	8,077	1	12	2	(9,067)	4,519
Interest expense	(1,715)	(63,090)	(6,009)	(6,870)	-	(51)	9,067	(68,668)
Depreciation and amortisation	(407)	-	(56)	(87)	(3)	(2)	(76)	(631)
Profit/(Loss) before tax	16,025	2,990	24,601	(7,990)	665	(2,104)	(19,896)	14,291

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)**

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

A9. Material events subsequent to the balance sheet date

There was no material events subsequent to the financial period ended 30 September 2018 up to the date of this report.

A10. Changes in the composition of the Group

There is no material change in the composition of the Group for the financial period ended 30 September 2018 up to the date of this report.

A11. Changes in contingent liabilities

	30.09.2018	30.09.2017
	RM'000	RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	3,355	5,998
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	-	1,248
Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries	-	200
	<u>3,355</u>	<u>7,446</u>

A12. Capital commitments

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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (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
(3Q18 vs. 3Q17)**

The Group's revenue for the quarter ended 30 September 2018 ("3Q18") of RM54.7 million is 160% higher than the previous year's quarter ended 30 September 2017 ("3Q17") revenue of RM21.0 million, which have been restated due to the MFRS effect ("restated").

The profit before tax however for 3Q18 of RM1.1 million is higher than the restated loss before tax for 3Q17 of RM24.5 million.

This improvement in performance is due to the increase in performance from the property division and also because of the provision which took place in the 3Q17.

Further details of the performance are available under the segment review below.

Property Development

The division recorded revenue of RM30.0 million for the quarter 3Q18, as compared to the restated negative revenue of RM4.1 million in 3Q17. The increase of RM34.1 million between the two corresponding quarters is due to the increase in sales performance from its various projects and also because in 3Q17 a provision was made thus affecting the performance for that period.

Correspondingly, the profit before tax for the division has also increased from a restated loss before tax of RM22.8 million in 3Q17 to a profit before tax of RM5.8 million in 3Q18 which represents a 125% or RM28.6 million increase.

Investment Property

The revenue for investment property for 3Q18 is RM1.5 million as compared to RM1.4 million for 3Q17. The higher revenue achieved for the division is due to the increase in occupancy this quarter as compared to last year's corresponding quarter.

The management constantly reviews its efforts and plans in order to improve the occupancy rate as well as footfall traffic in the shopping mall in this challenging current retail environment.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (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
(3Q18 vs. 3Q17) (contd.)**

Concessionaire

Pursuant to the Privatisation Agreement, the concession income is payable by the Government from the completion and handover of each cluster of the teachers' quarters up to the end of the concession period. Accordingly, the Group is compensated in the form of interest as a result of the extended repayment period. The interest income from concession is recognised as revenue using the effective interest method.

The concession division recorded revenue of RM20.9 million in 3Q18 as compared to revenue of RM22.2 million respectively in 3Q17.

Facilities Management

For the quarter under review, the division recorded revenue of RM2.3 million and a profit before tax of RM0.2 million as compared to 3Q17 with revenue of RM2.1 million and profit before tax of RM0.1 million.

This represents an increase of 10% or RM0.2 million in revenue and an increase of 100% in profit before tax.

**b) Performance of the current financial period against the preceding year financial period
(9M18 vs. 9M17)**

For the nine month period ended 30 September 2018 ("9M18"), the Group achieved revenue of RM155.3 million which is RM23.7 million or 13% lower than the restated revenue recorded in nine month period ended in 30 September 2017 ("9M17") of RM179.0 million. This is due to the overall decline in revenue contribution from most of the segments.

Profitability however of the 9M18 is RM14.3 million compared to a restated loss before tax of RM4.6 million for 9M17.

The decrease is further exacerbated by the unrealised foreign exchange loss of RM2.8 million on the translation of the amount due from a foreign subsidiary because of the weakening of the Australian Dollar.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)**

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

B1. Performance review (contd.)

**b) Performance of the current financial period against the preceding year financial period
(9M18 vs. 9M17)(contd.)**

Property Development

The revenue for the division for 9M18 is RM80.3 million which is lower by RM20.9 million as compared to the restated revenue for 9M17 of RM101.2 million. However the profit before tax for 9M18 is RM24.6 million and is higher than the restated profit before tax for 9M17 of RM0.1 million by RM24.5 million.

The decrease in revenue is due to the completion of the Encorp Marina project which was completed in early 2018 and the completion of the Akasia 1 project which was completed in the middle of 2017. The decrease in revenue however was offset by the division's project which is currently on-going and also by the improved sales performance in the third quarter of this year.

Investment Property

The revenue for this division for 9M18 is RM4.5 million as compared to the revenue of RM4.6 million in 9M17. This decrease of RM0.1 million or 2% is due to lower promotional income and high rental rebate granted.

Concessionaire

The revenue for the 9M18 for this division is RM63.7 million and profit before tax is RM3.0 million. The revenue however for 9M17 is RM67.4 million and the profit before tax is RM2.8 million.

Facilities Management

For the period of 9M18 the division has recorded revenue of RM6.9 million and a profit before tax of RM0.7 million as compared to revenue of RM6.4 million and profit before tax of RM0.4 million for 9M17. This is an increase in revenue of RM0.5 million or 8% and an increase in profitability of RM0.3 million or 75%.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)**

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

B2. Comparison with Immediate Preceding Quarter

The revenue for the Group for 3Q18 of RM54.7 million is higher by RM11.8 million as compared to revenue for 2Q18 of RM42.9 million. However, the profit before tax for 3Q18 of RM1.1 million is lower by RM5.3 million compared to the profit before tax for 2Q18 is RM6.4 million.

This increase in revenue is mainly due to the increase in sales performance by the property division for the third quarter. However profitability for the second quarter is higher than the third quarter due to higher reversal of provision during the second quarter.

B3. Commentary on prospects

Malaysia's forecast for full year growth for 2018 is expected to be 4.8% in comparison to 5.9% in 2017. On 2 November 2018, the Government of Malaysia presented the 2019 budget that includes cut in public spending and increased revenue from privatizing infrastructure assets and reviewing taxation policy. Specifically for the property sector, the budget indicated an increase in RPGT for disposal of properties after the fifth year and maximum rate of stamp duty for transfer of property revised to 4%. In addressing the property overhang, stamp duty is waived for first time buyers from 1 January to 30 June 2019 for houses valued between RM300,000 and RM1 million.

The outlook of the property sector is expected to remain challenging for 2019 largely due to the continued weak public spending. The residential market will remain soft as more supply of construction completion houses will enter the market. The company shall continue to refine and introduce various marketing strategies and offering incentive packages to clear the completed and unsold stocks. As the Cahaya Alam project is located in a mature township coupled with excellent access put the project attractive for launches of new phases in 2019.

B4. Variance from forecast profit and profit guarantee

Not applicable.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)**

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

B5. Income tax expense

	Quarter ended		Year-to-date ended	
	30.09.2018	30.09.2017 (Restated)	30.09.2018	30.09.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Income tax	(849)	5,803	(21,047)	(178)
Deferred tax	(1,543)	(272)	12,889	(1,225)
	<u>(2,392)</u>	<u>5,531</u>	<u>(8,158)</u>	<u>(1,403)</u>

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

The effective tax rate for the Group for the financial period is higher than the statutory tax rate because certain expenses are not allowable as deduction for tax purposes, and losses of certain subsidiaries which have not been used to set off against taxable profits made by other subsidiaries.

B6. Disposal of unquoted investments, assets and properties

There were no disposal of unquoted investments and/or properties for the financial period ended 30 September 2018.

B7. Purchase or disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial period ended 30 September 2018.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)**

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

B8. Status of corporate proposals

On the 27 February 2017, MIDF Amanah Investment Bank Berhad ('MIDF Investment') on behalf of the Board of Directors of Encorp had announced that the Company propose to undertake a private placement of up to 27,864,801 new ordinary shares in Encorp, representing ten per cent of the total number of issued shares of Encorp (excluding treasury shares).

MIDF Investment had also on 17 March 2017 on behalf of Encorp submitted the listing application in relation to the Proposed Private Placement to Bursa Malaysia Securities Berhad ('Bursa Securities') which was duly approved by Bursa Securities vide its letter dated 24 March 2017.

On the 8 September 2017, the first tranche of the Private Placement has been completed following the listing of and quotation for 15,304,401 Placement Shares on the Main Market of Bursa Securities. The issue price per share for the placement is RM0.65.

Bursa Securities has vide its letter dated 30 October 2018, approved the application for an extension of time until 23 March 2019 to complete the implementation of the Private Placement.

B9. Borrowings and debt securities

	As at 30.09.2018	
	Current	Non-current
	RM'000	RM'000
Secured		
Sukuk Murabahah	54,709	837,335
Term loan	13,501	57,782
Bridging loan	9,905	-
Revolving credit	40,850	-
Bank overdraft	5	-
	<u>118,970</u>	<u>895,117</u>

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)**

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

B10. Changes in material litigation

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) 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.

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 2018.

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.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (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 September 2018.

B12. Profit for the period

	Quarter ended 30.09.2018 RM'000	Year-to-date ended 30.09.2018 RM'000
The profit/loss is arrived at after charging/(crediting):		
a) Interest income	(1,894)	(4,519)
b) Other income	59	(1,217)
c) Interest expense	23,167	68,668
d) Depreciation and amortisation	198	631
e) Employee benefits	3,284	8,410
f) Unrealised loss on foreign exchange	(116)	2,777
g) Reversal of provision for liquidated ascertain damages	(999)	(15,822)
h) Operating lease		
- premises	518	1,570
- equipment	49	116
- others	13	35

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2018 (contd.)**

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

B13. Earnings per share ("EPS")

a) Basic EPS

	Quarter ended		Year-to-date ended	
	30.09.2018	30.09.2017 (Restated)	30.09.2018	30.09.2017 (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the parent	(1,207)	(18,633)	7,015	(6,140)
Weighted average number of ordinary shares in issue	293,952	279,877	293,952	279,877
Basic EPS (sen)	(0.41)	(6.66)	2.39	(2.19)

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 28 November 2018.

By Order of the Board
ENCORP BERHAD (506836-X)

Lee Lay Hong
Company Secretary

28 November 2018