



(506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER 30 SEPTEMBER 2019**

	Quarter ended		Year-to-date ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Revenue	40,009	54,675	103,336	155,335
Cost of sales	(15,544)	(23,358)	(33,446)	(51,896)
Gross profit	24,465	31,317	69,890	103,439
Other income	1,884	1,834	6,274	5,735
Selling and marketing expenses	(602)	(124)	(1,741)	(364)
Administrative expenses	(7,080)	(8,543)	(24,637)	(25,220)
Finance costs	(22,471)	(23,167)	(65,312)	(68,668)
Other expenses	(1,518)	(198)	(1,901)	(631)
(Loss)/Profit before tax	(5,322)	1,119	(17,427)	14,291
Income tax	1,519	(2,392)	1,063	(8,158)
(Loss)/Profit net of tax	(3,803)	(1,273)	(16,364)	6,133
<b>Other comprehensive income/(loss)</b>				
Foreign currency translation	680	(11)	918	1,475
<b>Total comprehensive (loss)/income for the year</b>	<b>(3,123)</b>	<b>(1,284)</b>	<b>(15,446)</b>	<b>7,608</b>
<b>Profit/(Loss) attributable to:</b>				
Owners of the parent	(2,822)	(1,207)	(16,373)	7,015
Non-controlling interest	(981)	(66)	9	(882)
	<b>(3,803)</b>	<b>(1,273)</b>	<b>(16,364)</b>	<b>6,133</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the parent	(2,142)	(1,218)	(15,455)	8,490
Non-controlling interest	(981)	(66)	9	(882)
	<b>(3,123)</b>	<b>(1,284)</b>	<b>(15,446)</b>	<b>7,608</b>
<b>Earnings/(Loss) per share attributable to owner of the parent (sen)</b>				
Basic	(0.96)	(0.41)	(5.56)	2.39

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 2018 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2019**

	<b>As at 30.09.2019 RM'000</b>	<b>As at 31.12.2018 RM'000</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,337	5,623
Right-of-use assets	21,481	-
Intangible assets	13,501	13,606
Investment properties	303,620	303,620
Investment in associate	30	30
Land held for property development	460,647	478,744
Trade and other receivables	715,319	756,275
Other investments	4,243	4,384
Deferred tax assets	17,585	18,977
	<u>1,541,763</u>	<u>1,581,259</u>
<b>Current assets</b>		
Inventories	143,963	159,072
Contract assets	20,009	18,338
Tax recoverable	3,126	584
Trade and other receivables	125,062	149,918
Other current assets	803	1,134
Other investments	146,221	111,689
Cash and bank balances	17,949	63,785
	<u>457,133</u>	<u>504,520</u>
Asset of disposal group classified as held for sale	100	100
	<u>457,233</u>	<u>504,620</u>
<b>Total assets</b>	<u>1,998,996</u>	<u>2,085,879</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 SEPTEMBER 2019 (contd.)**

	<b>As at 30.09.2019 RM'000</b>	<b>As at 31.12.2018 RM'000</b>
<b>Equity and liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	288,551	310,844
Other current liabilities	17,356	51,390
Contract liabilities	10,679	2,439
Loans and borrowings	108,655	116,093
Lease liabilities	1,025	-
Income tax payable	144	4,313
	<u>426,410</u>	<u>485,079</u>
Liabilities directly associated with disposal group classified as held for sale	<u>1,330</u>	<u>950</u>
	<u>427,740</u>	<u>486,029</u>
<b>Non-current liabilities</b>		
Trade and other payables	256,531	256,462
Loans and borrowings	823,387	861,753
Lease liabilities	21,200	-
Deferred tax liabilities	1,782	2,215
	<u>1,102,900</u>	<u>1,120,430</u>
<b>Total liabilities</b>	<u>1,530,640</u>	<u>1,606,459</u>
<b>Equity attributable to owners of parent</b>		
Share capital	397,280	392,898
Treasury shares	(327)	(327)
Other reserves	4,128	3,210
Accumulated Loss	(17,345)	(972)
	<u>383,736</u>	<u>394,809</u>
Non-controlling interest	84,620	84,611
<b>Total equity</b>	<u>468,356</u>	<u>479,420</u>
<b>Total equity and liabilities</b>	<u>1,998,996</u>	<u>2,085,879</u>
Net assets per share attributable to owner of the parents (RM/share)	<u>1.30</u>	<u>1.34</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019**

	← Non-distributable →					Non- controlling interest	Total equity
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	(Accumulated Loss)/ Retained profit RM'000	Total RM'000	RM'000	RM'000
<b>At 1 January 2019</b>	392,898	(327)	3,210	(972)	394,809	84,611	479,420
(Loss)/Income for the period	-	-	-	(16,373)	(16,373)	9	(16,364)
Other comprehensive income	-	-	918	-	918	-	918
Total comprehensive income/(loss) for the period	-	-	918	(16,373)	(15,455)	9	(15,446)
<b>Transaction with owners:</b>							
Private placement exercise	4,382	-	-	-	4,382	-	4,382
<b>At 30 September 2019</b>	397,280	(327)	4,128	(17,345)	383,736	84,620	468,356
<b>At 1 January 2018</b>	392,898	(327)	1,064	1,322	394,957	86,345	481,302
Income/(Loss) for the period	-	-	-	7,015	7,015	(882)	6,133
Other comprehensive income	-	-	1,475	-	1,475	-	1,475
Total comprehensive income/(loss) for the period	-	-	1,475	7,015	8,490	(882)	7,608
<b>At 30 September 2018</b>	392,898	(327)	2,539	8,337	403,447	85,463	488,910

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019**

	<b>Year-to-date ended</b>	
	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>		
(Loss)/Profit before tax	(17,427)	14,291
<u>Adjustments:</u>		
Depreciation	1,796	498
Amortisation of intangible assets	105	133
Interest expenses	65,312	68,668
Gain on disposal of investment security	(103)	(189)
Distribution income from money market investment security	(3,214)	(2,999)
Interest income	(1,224)	(1,331)
Gain on disposal of assets	(1)	-
Deposit forfeited income	(283)	(941)
Impairment loss for trade and other receivables	-	994
Reversal of impairment of trade receivables	(606)	-
Liquidated and ascertained damages	-	2,505
Reversal of liquidated and ascertained damages	-	(15,822)
Unrealised loss on forex	1,541	2,777
Operating profit before working capital changes	45,896	68,584
<u>Changes in working capital:</u>		
Changes in land held for property development and property development cost	30,156	(15,118)
Inventories	3,050	14,777
Trade and other receivables	65,160	(38,234)
Contract assets	(1,671)	-
Other current assets	331	87,605
Trade and other payables	(21,844)	20,661
Other current liabilities	(34,034)	(18,670)
Contract liabilities	8,240	-
Cash generated from operations:	95,284	119,605
Income tax paid	(4,689)	(3,966)
Interest paid	(5,221)	(5,578)
Net cash generated from operating activities	85,374	110,061

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019 (contd.)**

	<b>Year-to-date ended</b>	
	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from investing activities</b>		
Interest received	1,327	1,331
Acquisition of property, plant and equipment	(141)	(18)
Proceeds from disposal of property, plant and equipment	3	-
Distribution income received	3,214	3,188
Placement in of investment security	(34,391)	(18,323)
Net cashflow used in investing activities	<u>(29,988)</u>	<u>(13,822)</u>
<b>Cash flows from financing activities</b>		
Repayment of loans & borrowing	(39,193)	(10,055)
Repayment of Sukuk Murabahah	(65,724)	(67,030)
Deposit of deposits pledged	(363)	(47)
Proceeds received from private Placement	4,382	-
Drawdown from loans and borrowings	-	9,905
Net payment in finance lease payables	(1,605)	(22)
Net cashflow used in financing activities	<u>(102,503)</u>	<u>(67,249)</u>
Net (decrease)/increase in cash and cash equivalents	(47,117)	28,990
Effect of exchange rate changes	918	1,475
Cash and cash equivalents at beginning of period	60,957	19,242
Cash and cash equivalents at end of period	<u>14,758</u>	<u>49,707</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	3,260	2,831
- Licensed corporation	31	30
Cash and bank balances	<u>14,658</u>	<u>49,615</u>
	17,949	52,476
Add: Disposal group held for sale	100	97
Less: Bank overdrafts	-	(5)
Bank balances and deposits pledged	<u>(3,291)</u>	<u>(2,861)</u>
<b>Cash and cash equivalents at end of period</b>	<u>14,758</u>	<u>49,707</u>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019**

**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 2018. 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 2018.

**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 2018, except for the following new MFRSs, Amendments to MFRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2019.

**a) MFRSs, Amendments to MFRSs and IC Interpretations effective for the financial periods beginning on or after 1 January 2019**

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
MFRS 16, Leases	1 January 2019
Amendments to MFRSs, Annual Improvement to MFRSs 2015 - 2017 Cycle	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 2019
Amendments to MFRS 119 Employee Benefits	1 January 2019



**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019 (contd.)**

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

**A2. Summary of significant accounting policies (contd.)**

**b) MFRSs, Amendments to MFRSs and IC Interpretations but not yet effective**

<b>Description</b>	<b>Effective for annual periods beginning on or after</b>
Amendments to MFRS 3 Business Combinations	1 January 2020
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2020
Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
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	Deferred until further notice

**MFRS 16 Leases**

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. As permitted by MFRS 16, the Group has applied MFRS 16 using modified retrospective approach. The Group has elected to recognise the cumulative effects of the initial recognition at the date of application.

Under MFRS 16, The Group recognises a right-of-use representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. The Group has applied the recognition exemptions for short-term leases and leases of low-value items.

Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019 (contd.)**

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

**A2. Summary of significant accounting policies (contd.)**

The following table presents the impact of changes to consolidated statement of financial position of the Group upon the adoption of MFRS 16, *Leases* as at 1 January 2019.

	<b>31 December 2018</b>	<b>MFRS 16 adjustment</b>	<b>1 January 2019</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>			
Right-of-use assets	-	22,852	22,852
<b>Non-current liabilities</b>			
Lease liabilities	-	21,974	21,974
<b>Current liabilities</b>			
Lease liabilities	-	878	878

**A3. Auditors' Report on Preceding Annual Financial Statements**

The Group's latest audited financial statements for the financial year ended 31 December 2018 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**

Unrealised foreign exchange loss

Included in the results is an unrealised foreign exchange loss of RM1.5 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.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019 (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 September 2019, 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 RM135.3 million had been remitted in the financial year 2019 whereas the next principal and profit payment amounting to RM68.7 million is scheduled in May 2020.

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.

**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. The Company has subsequently on the 22 March 2019 completed the above private placement corporate proposal by issuing and listing the remaining 12,521,800 ordinary shares at RM0.35 each. Kindly refer to "B8. Status of corporate proposals" on page 16 for further elaboration on the private placement proposal.

**A7. Dividend paid**

No dividend was paid during the quarter ended 30 September 2019.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 SEPTEMBER 2019 (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 September 2019 as follows: -

	Investment holding RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Facilities management RM'000	Others*	Adjustments and Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>								
External customers	-	59,656	39,591	4,089	-	-	-	103,336
Inter-segment	5,987	-	-	703	-	-	(6,690)	-
<b>Total Revenue</b>	<b>5,987</b>	<b>59,656</b>	<b>39,591</b>	<b>4,792</b>	<b>-</b>	<b>-</b>	<b>(6,690)</b>	<b>103,336</b>
<b>Results:</b>								
Segment results	(5,039)	58,868	(5,979)	(716)	(557)	(948)	(384)	45,245
Interest income	2,588	3,343	8,406	2	7	1	(9,806)	4,541
Interest expense	(2,261)	(59,113)	(6,443)	(7,281)	-	(20)	9,806	(65,312)
Depreciation and amortisation	(1,712)	-	(50)	(62)	(3)	(1)	(73)	(1,901)
<b>Profit/(Loss) before tax</b>	<b>(6,424)</b>	<b>3,098</b>	<b>(4,066)</b>	<b>(8,057)</b>	<b>(553)</b>	<b>(968)</b>	<b>(457)</b>	<b>(17,427)</b>

\* 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 2019 (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 2019 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 2019 up to the date of this report.

**A11. Changes in contingent liabilities**

	<b>30.09.2019</b>	<b>30.09.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Contingent liabilities:</b>		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	11,837	3,355

**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 2019 (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  
(3Q19 vs. 3Q18)**

The Group's revenue for the quarter ended 30 September 2019 ("3Q19") of RM40.0 million is 26.87% lower than the previous year's quarter ended 30 September 2018 ("3Q18") revenue of RM54.7 million.

Loss before tax for 3Q19 is RM5.3 million as compared to the profit before tax of 3Q18 of RM1.1 million. The profit before tax has decreased by RM6.4 million as compared to the last year's corresponding quarter.

Decrease in Group's revenue and profit before tax is due to weakening property market on highrise commercial development and retail market. Further details of the performance are available under the segment review below.

**Property Development**

The division recorded lower revenue of RM18.8 million for the quarter 3Q19 as compared to the revenue of RM30.0 million in 3Q18.

The profit before tax for the division in 3Q19 is RM0.3 million and is lower than the prior year's corresponding quarter of a profit before tax of RM5.8 million.

The decrease in revenue and profit before tax of RM11.2 million and RM5.5 million respectively is due to the decrease in contribution from its on-going projects.

**Investment Property**

The revenue for the investment property division in 3Q19 is RM1.4 million which is lower by RM0.1 million than the revenue of RM1.5 million for 3Q18.

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 2019 (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  
(3Q19 vs. 3Q18) (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 RM19.5 million in 3Q19 as compared to revenue of RM20.9 million respectively in 3Q18 with a slight decrease of 6.7%.

**B2. Comparison with Immediate Preceding Quarter**

The revenue for the Group for 3Q19 of RM40.0 million is higher by RM17.0 million as compared to revenue for 2Q19 of RM23.0 million. The loss before tax for 3Q19 of RM5.3 million has reduced by RM4.2 million as compared to loss before tax for 2Q19 of RM9.5 million.

Current quarter shows a better performance as compared to immediate preceding quarter due to a one-off adjustment which has been made on percentage of completion for Dahlia project in 2Q19.

**B3. Commentary on prospects**

The outlook of property sector is expected to remain challenging for 2019 with large property overhang in certain subsectors. The volatility of financial market and uncertainty in the market arising from the US and China's trade tension has added fuel to the challenges faced by property developers.

Overall the volume and value of transactions in first half 2019 are both trending up. Residential sector remains the key driver of the property market compared to other sectors as the transactions remain positive. Highrise commercial development on the other hand remains challenging given the high amount of ready stock and growing inventory contributing to a large overhang and fierce competition. We expect the landed residential market to remain active while highrise commercial to slowly improve as buyers take advantage of the extension of Home Ownership Campaign (HOC).

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019 (contd.)**

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

**B3. Commentary on prospects (contd.)**

The Group shall continue to refine and introduce various marketing and pricing strategies to clear the unsold inventory units. As the landed residential development market continues to experience firm demand, the Group shall continue to launch its projects in Cahaya Alam which is located in a mature township coupled with excellent access.

**B4. Variance from forecast profit and profit guarantee**

Not applicable.

**B5. Income tax**

	Quarter ended		Year-to-date ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Income tax	2,522	(849)	2,022	(18,774)
Deferred tax	(1,003)	(1,543)	(959)	10,616
	<u>1,519</u>	<u>(2,392)</u>	<u>1,063</u>	<u>(8,158)</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.

**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 2019.

**B7. Purchase or disposal of quoted securities**

There were no purchase or disposal of quoted securities for the financial period ended 30 September 2019.



**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019 (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.

The Company has subsequently on the 22 March 2019 completed the above private placement corporate proposal by issuing and listing the remaining 12,521,800 ordinary shares at RM0.35 each.

**B9. Borrowings and debt securities**

	As at 30.09.2019	
	Current RM'000	Non-current RM'000
<b>Secured</b>		
Sukuk Murabahah	56,254	778,410
Term loan	13,501	44,977
Revolving credit	38,900	-
	<u>108,655</u>	<u>823,387</u>

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019 (contd.)**

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

**B10. Changes in material litigation**

**(a) Must Ehsan Development Sdn Bhd and Bumimetro Construction Sdn Bhd**

Must Ehsan Development Sdn Bhd ('MEDSB') has on 5<sup>th</sup> July 2018, served a Notice to Arbitrate dated 4<sup>th</sup> 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 Pangapuri 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 2019.

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 11<sup>th</sup> April 2018, 7<sup>th</sup> May 2018, 27<sup>th</sup> June 2018 and 6<sup>th</sup> July 2018.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019 (contd.)**

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

**B10. Changes in material litigation (contd.)**

**(b) Encorp Iskandar Development Sdn Bhd and Konsortium Ipmines Merz Sdn Bhd**

Encorp Iskandar Development Sdn Bhd (“EIDSB”) has on 6<sup>th</sup> November 2019, served a Notice of Arbitration dated 6<sup>th</sup> 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”).

The arbitration proceeding is 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 RM163,500.00 for direct payment to sub-contractors;
- c) EIDSB’s claim of RM13,084,610.00 for cost in rectifying the defective works and completing the outstanding works;
- d) In the alternative to (a), (b) & (c) above, such other amount as assessed by the Arbitrator;
- e) Loss of profit for the delay of the works;
- 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.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019 (contd.)**

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

**B10. Changes in material litigation (contd.)**

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

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

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

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

**B11. Dividends**

The Board of Directors did not recommend any dividend for the quarter ended 30 September 2019.

**B12. Profit for the period**

	<b>Quarter ended 30.09.2019 RM'000</b>	<b>Year-to-date ended 30.09.2019 RM'000</b>
The profit/loss is arrived at after charging/(crediting):		
a) Interest income	(1,591)	(4,541)
b) Other income	(293)	(1,733)
c) Interest expense	22,471	65,312
d) Depreciation and amortisation	1,518	1,901
e) Employee benefits	3,020	9,652
f) Unrealised loss on foreign exchange	1,143	1,541
g) Operating lease		
- premises	(1,036)	69
- equipment	26	87
- others	3	13
h) Impairment loss for receivables	260	260

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 SEPTEMBER 2019 (contd.)**

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

**B13. Earnings/(Loss) per share ("EPS")**

a) Basic EPS

	Quarter ended		Year-to-date ended	
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the parent	<u>(2,822)</u>	<u>(1,207)</u>	<u>(16,373)</u>	<u>7,015</u>
Weighted average number of ordinary shares in issue	<u>294,261</u>	<u>293,952</u>	<u>294,261</u>	<u>293,952</u>
<b>Basic EPS (sen)</b>	<u>(0.96)</u>	<u>(0.41)</u>	<u>(5.56)</u>	<u>2.39</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 28 November 2019.

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

**Lee Lay Hong**  
Company Secretary

28 November 2019