



Company No. 200001004231 (506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2019**

ENCORP BERHAD

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER 31 DECEMBER 2019**

	Quarter ended		Year-to-date ended	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
		(Restated)		(Restated)
Revenue	62,283	94,523	165,619	249,858
Cost of sales	(24,689)	(57,539)	(58,135)	(109,435)
Gross profit	37,594	36,984	107,484	140,423
Other income	5,548	4,140	11,822	9,875
Selling and marketing expenses	535	(1,628)	(1,206)	(1,992)
Administrative expenses	7,538	(5,226)	(17,099)	(30,446)
Finance costs	(61,692)	(30,150)	(127,004)	(98,818)
Other expenses	(7,193)	(16,412)	(9,094)	(17,043)
(Loss)/Profit before tax	(17,670)	(12,292)	(35,097)	1,999
Income tax	(7,791)	(5,314)	(6,728)	(13,472)
Loss net of tax	(25,461)	(17,606)	(41,825)	(11,473)
Other comprehensive income/(loss)				
Foreign currency translation	(1,226)	671	(308)	2,146
Total comprehensive loss for the year	(26,687)	(16,935)	(42,133)	(9,327)
Profit/(Loss) attributable to:				
Owners of the parent	(30,024)	(14,486)	(46,397)	(7,471)
Non-controlling interest	4,563	(3,120)	4,572	(4,002)
	(25,461)	(17,606)	(41,825)	(11,473)
Total comprehensive income/(loss) attributable to:				
Owners of the parent	(31,250)	(13,815)	(46,705)	(5,325)
Non-controlling interest	4,563	(3,120)	4,572	(4,002)
	(26,687)	(16,935)	(42,133)	(9,327)
Earnings/(Loss) per share attributable to owner of the parent (sen)				
Basic	(10.20)	(4.93)	(15.77)	(2.54)

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.

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Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019**

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000 (Restated)	As at 1.1.2018 RM'000 (Restated)
Assets			
Non-current assets			
Property, plant and equipment	5,298	5,623	6,258
Right-of-use assets	21,056	-	-
Intangible assets	7,470	13,606	18,875
Investment properties	303,050	303,620	314,740
Investment in associate	-	30	30
Land held for property development	501,581	511,739	404,814
Trade and other receivables	692,239	756,275	814,222
Other investments	4,301	4,384	4,741
Deferred tax assets	15,068	20,668	11,821
	<u>1,550,063</u>	<u>1,615,945</u>	<u>1,575,501</u>
Current assets			
Inventories	148,122	157,417	266,211
Contract assets	5,452	8,237	56,096
Tax recoverable	1,094	584	10,067
Trade and other receivables	115,524	149,918	92,629
Other current assets	381	1,134	371
Other investments	123,215	111,689	118,331
Cash and bank balances	45,853	63,785	22,689
	<u>439,641</u>	<u>492,764</u>	<u>566,394</u>
Asset of disposal group classified as held for sale	-	100	97
	<u>439,641</u>	<u>492,864</u>	<u>566,491</u>
Total assets	<u>1,989,704</u>	<u>2,108,809</u>	<u>2,141,992</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (contd.)**

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000 (Restated)	As at 1.1.2018 RM'000 (Restated)
Equity and liabilities			
Current liabilities			
Trade and other payables	450,248	369,902	271,535
Other current liabilities	14,538	21,923	64,776
Contract liabilities	4,181	2,439	2,311
Loans and borrowings	115,480	116,093	109,812
Lease liabilities	1,056	-	-
Income tax payable	701	4,313	99
	<u>586,204</u>	<u>514,670</u>	<u>448,533</u>
Liabilities directly associated with disposal group classified as held for sale	-	950	945
	<u>586,204</u>	<u>515,620</u>	<u>449,478</u>
Non-current liabilities			
Trade and other payables	183,044	256,462	300,610
Loans and borrowings	762,582	861,753	909,112
Lease liabilities	20,949	-	-
Deferred tax liabilities	3,701	4,419	2,910
	<u>970,276</u>	<u>1,122,634</u>	<u>1,212,632</u>
Total liabilities	<u>1,556,480</u>	<u>1,638,254</u>	<u>1,662,110</u>
Equity attributable to owners of parent			
Share capital	397,280	392,898	392,898
Treasury shares	(327)	(327)	(327)
Other reserves	2,902	3,210	1,064
Accumulated Loss	(53,966)	(7,569)	(98)
	<u>345,889</u>	<u>388,212</u>	<u>393,537</u>
Non-controlling interest	87,335	82,343	86,345
Total equity	<u>433,224</u>	<u>470,555</u>	<u>479,882</u>
Total equity and liabilities	<u>1,989,704</u>	<u>2,108,809</u>	<u>2,141,992</u>
Net assets per share attributable to owner of the parents (RM/share)	<u>1.18</u>	<u>1.32</u>	<u>1.39</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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2019**

	← Non-distributable →			Accumulated Loss RM'000	Non-controlling Total interest RM'000	Total equity RM'000	
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000				
At 1 January 2019, previously reported	392,898	(327)	3,210	(972)	394,809	84,611	479,420
Restatements	-	-	-	(6,597)	(6,597)	(2,268)	(8,865)
At 1 January 2018 (Restated)	392,898	(327)	3,210	(7,569)	388,212	82,343	470,555
Loss for the year	-	-	-	(46,397)	(46,397)	4,572	(41,825)
Other comprehensive loss	-	-	(308)	-	(308)	-	(308)
Total comprehensive income/(loss) for the year	-	-	(308)	(46,397)	(46,705)	4,572	(42,133)
Transaction with owners:							
Private placement exercise	4,382	-	-	-	4,382	-	4,382
Change in ownership interest in subsidiaries	-	-	-	-	-	420	420
At 31 December 2019	397,280	(327)	2,902	(53,966)	345,889	87,335	433,224
At 1 January 2018, previously reported	392,898	(327)	1,064	1,322	394,957	86,345	481,302
Restatements	-	-	-	(1,420)	(1,420)	-	(1,420)
At 1 January 2018 (Restated)	392,898	(327)	1,064	(98)	393,537	86,345	479,882
Loss for the year (Restated)	-	-	-	(7,471)	(7,471)	(4,002)	(11,473)
Other comprehensive income	-	-	2,146	-	2,146	-	2,146
Total comprehensive income/(loss) for the year (Restated)	-	-	2,146	(7,471)	(5,325)	(4,002)	(9,327)
At 31 December 2018 (Restated)	392,898	(327)	3,210	(7,569)	388,212	82,343	470,555

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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2019**

	Year-to-date ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
		Restated
Cash flows from operating activities		
(Loss)/Profit before tax	(35,097)	1,999
<u>Adjustments:</u>		
Depreciation	2,387	652
Amortisation of intangible assets	136	169
Interest expenses	127,004	91,629
Gain on disposal of investment security	(98)	(138)
Distribution income from money market investment security	(4,346)	(4,230)
Interest income	(1,969)	(3,200)
Gain on disposal of assets	(3,496)	-
Deposit forfeited income	(283)	(947)
Impairment loss for trade and other receivables	-	1,104
Impairment of Goodwill	6,000	5,100
Write down of investment properties	570	11,120
Write down of inventories	-	3,084
Write off of land held for development	-	2,563
Reversal of impairment of trade receivables	(170)	(7)
Liquidated and ascertained damages	-	(17,374)
Reversal of liquidated and ascertained damages	-	3,278
Unrealised loss on forex	909	3,909
Operating profit before working capital changes	91,547	98,711
<u>Changes in working capital:</u>		
Changes in land held for property development and property development cost	15,756	(17,465)
Inventories	3,697	13,687
Trade and other receivables	97,974	43,516
Contract assets	2,785	-
Other current assets	753	(763)
Trade and other payables	(27,582)	26,406
Other current liabilities	(7,385)	128
Contract liabilities	1,742	-
Cash generated from operations:	179,287	164,220
Income tax paid	(5,968)	(7,113)
Interest paid	(8,345)	(31)
Net cash generated from operating activities	164,974	157,076

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.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**FOR THE QUARTER ENDED 31 DECEMBER 2019 (contd.)**

	Year-to-date ended	
	31.12.2019	31.12.2018
	RM'000	RM'000
		Restated
Cash flows from investing activities		
Interest received	2,067	3,338
Acquisition of property, plant and equipment	(216)	(17)
Disposal of associate	30	-
Disposal of subsidiaries	(750)	-
Distribution income received	4,346	4,230
(Placement)/Withdrawal in of investment security	(11,443)	6,999
Net cashflow (used in)/generated from investing activities	<u>(5,966)</u>	<u>14,550</u>
Cash flows from financing activities		
Repayment of loans & borrowing	(46,500)	-
Repayment of Sukuk Murabahah	(135,287)	(139,060)
Deposit of deposits pledged	1,770	619
Proceeds received from private Placement	4,382	-
Drawdown from loans and borrowings	3,132	6,384
Net payment in finance lease payables	(2,196)	-
Net cashflow used in financing activities	<u>(174,699)</u>	<u>(132,057)</u>
Net (decrease)/increase in cash and cash equivalents	(15,691)	39,569
Effect of exchange rate changes	(471)	2,146
Cash and cash equivalents at beginning of period	60,857	19,242
Cash and cash equivalents at end of period	<u>44,695</u>	<u>60,957</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	1,127	2,897
- Licensed corporation	31	31
Cash and bank balances	<u>44,695</u>	<u>60,857</u>
	45,853	63,785
Add: Disposal group held for sale	-	100
Less: Bank balances and deposits pledged	<u>(1,158)</u>	<u>(2,928)</u>
Cash and cash equivalents at end of period	<u>44,695</u>	<u>60,957</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.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 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

Description	Effective for annual periods beginning on or after
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

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

Description	Effective for annual periods beginning on or after
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 31 DECEMBER 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.

	31 December 2018	MFRS 16 adjustment	1 January 2019
	RM'000	RM'000	RM'000
Non-current assets			
Right-of-use assets	-	22,901	22,901
Non-current liabilities			
Lease liabilities	-	22,005	22,005
Current liabilities			
Lease liabilities	-	896	896

A3. Restatement of comparative figures

- (a) As reported in previous financial year ended 31 December 2018, the Group has made provision for affordable housing loss for future projects. Upon adoption of the MFRS framework in the prior year, provision for foreseeable losses is to be recognised progressively as the related premium housing is constructed.

As such, the Group has re-estimated the provision for affordable housing and reduced the provision by RM36 million at 1 January 2018 with a corresponding decrease in land held for development and inventories. During the financial year 2018, the Group has re-estimated the percentage of completion to exclude the effect of provision of affordable housing loss. As a result, the revenue, cost of sales and deferred tax have been adjusted by RM10 million, RM3 million and RM2 million respectively.

- (b) The Group had previously capitalised borrowing costs incurred for certain property development projects and such costs were included in the inventories balances. This has been restated by charging out the interest to finance cost.
- (c) The Group has reclassified interest expense of RM7 million from administrative expenses to finance cost to conform to the current year's presentation.
- (d) The Group has reclassified impairment of goodwill of RM5 million from administrative expenses to other expenses to conform to the current year's presentation.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2019 (contd.)****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A3. Restatement of comparative figures (contd.)**

- (e) The prior year comparatives have been restated to reflect the current accretion of the deferred payment for land held for development. The trade and other payable balance as at 1 January 2018 and 31 December 2018 has been increased by RM40 million and RM59 million respectively, with a corresponding increase in the land held for development.
- (f) In prior year, the Group has estimated the deferred tax on the fair value adjustment in investment properties based on 5% RPGT tax rate. The Group has restated RM 2 million in deferred tax liability based on 10% RPGT tax rate.

The financial impact from the restatement are summarised as follows:-

Statement of profit and loss

	Year ended 31.12.2018	Restatement	Year ended 31.12.2018 (Restated)
	RM'000	RM'000	RM'000
Revenue	259,959	(10,101)	249,855
Cost of sales	(112,604)	3,169	(109,435)
Administrative expenses	(42,671)	12,225	(30,446)
Finance costs	(91,693)	(7,125)	(98,818)
Other expenses	(11,943)	(5,100)	(17,043)
Income tax expense	(12,959)	(513)	(13,472)
Loss attributable to:			
Owners of the parent	(2,294)	(5,177)	(7,472)
Non-controlling interest	(1,734)	(2,268)	(4,002)
	(4,028)	(7,445)	(11,474)
Total comprehensive loss attributable to:			
Owners of the parent	(148)	(5,177)	(5,325)
Non-controlling interest	(1,734)	(2,268)	(4,002)
	(1,882)	(7,445)	(9,327)

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2019 (contd.)****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A3. Restatement of comparative figures (contd.)****Statement of financial position**

	31.12.2018		31.12.2018		1.1.2018		1.1.2018
	(Audited)	Restatement	(Restated)		(Audited)	Restatement	(Restated)
	RM'000	RM'000	RM'000		RM'000	RM'000	RM'000
Assets							
Non-current assets							
Land held for property development	478,744	32,995	511,739		385,469	19,345	404,814
Deferred tax assets	18,977	1,691	20,668		11,821	-	11,821
Current assets							
Inventories	159,072	(1,655)	157,417		283,017	(16,806)	266,211
Contract assets	18,338	(10,101)	8,237		56,096	-	56,096
Current liabilities							
Trade and other payables	310,844	59,058	369,902		231,739	39,796	271,535
Other current liabilities	51,390	(29,467)	21,923		100,613	(35,837)	64,776
Non-current liabilities							
Deferred tax liabilities	2,215	2,204	4,419		2,910	-	2,910
Equity attributable to owners of parent							
(Accumulated loss)/ Retained earnings	(972)	(6,597)	(7,569)		1,322	(1,420)	(98)

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2019 (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 2018 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

Please refer to the details of the restatement of the prior year comparatives in "A3. Restatement of comparative figures".

A7. Debt and equity securities

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

a) Treasury shares

As at 31 December 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.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2019 (contd.)****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A7. Debt and equity securities (contd.)****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” for further elaboration on the private placement proposal.

A8. Dividend paid

No dividend was paid during the quarter ended 31 December 2019.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019 (contd.)**PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A9. Segmental information**

The Group's segment revenue and results are presented by industry segments for the year ended 31 December 2019 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	-	78,813	80,939	5,867	-	-	-	165,619
Inter-segment	8,366	-	-	855	-	-	(9,221)	-
Total Revenue	8,366	78,813	80,939	6,722	-	-	(9,221)	165,619
Results:								
Segment results	(3,526)	77,915	20,083	(1,734)	(607)	5,848	(9,392)	88,587
Interest income	3,437	4,499	11,795	2	11	1	(13,332)	6,413
Interest expense	(2,991)	(79,034)	(48,357)	(9,928)	-	(26)	13,332	(127,004)
Impairment of investment properties	-	-	-	(890)	-	-	320	(570)
Impairment of investment in subsidiaries	(164,178)	-	-	-	-	-	164,178	-
Depreciation and amortisation	(2,254)	-	(82)	(81)	(3)	(2)	(101)	(2,523)
(Loss)/Profit before tax	(169,512)	3,380	(16,561)	(12,631)	(599)	5,821	155,005	(35,097)

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

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Company No. 200001004231(506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2019 (contd.)****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A10. Material events subsequent to the balance sheet date**

There was no material events subsequent to the financial period ended 31 December 2019 up to the date of this report.

A11. Changes in the composition of the Group

There is no material change in the composition of the Group for the financial period ended 31 December 2019 up to the date of this report, other than as disclosed in "B6. Disposal of unquoted investments, asset and properties".

A12. Changes in contingent liabilities

	31.12.2019	31.12.2018
	RM'000	RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	11,837	11,908

A13. 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 31 DECEMBER 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 (4Q19 vs. 4Q18)

The Group's revenue for the quarter ended 31 December 2019 ("4Q19") of RM62.3 million is 34.1% lower than the previous year's quarter ended 31 December 2018 ("4Q18") revenue of RM94.5 million. The decrease in Group revenue is reflective of the overall weak property market, particularly in the high-rise commercial development and retail market sectors.

Group loss before tax for 4Q19 widened to RM17.7 million against the previous year's corresponding quarter loss before tax 4Q18 of RM12.3 million.

The above Group loss before tax for current quarter is mainly due to the accounting treatment on capitalisation of borrowing costs in accordance with MFRS 123 in relation to the Group's 641 acre landbank at Bukit Katil, Malacca. The borrowing costs incurred on the land is now charged to statement of profit or loss, as opposed to being capitalised in previous years.

Property Development

Encorp's core business division recorded lower revenue of RM41.3 million for the quarter 4Q19 as compared to the revenue of RM69.8 million in 4Q18. This is due to lower contributions from on-going property projects.

Loss before tax for the division in 4Q19 is RM12.5 million compared to a profit before tax of RM10.3 million in 4Q18 reflecting a significant decrease in profit between 4Q19 and 4Q18 of RM22.8 million. Decrease in profit for the quarter is due to charging out of interest expenses on Bukit Katil Land which was capitalised in prior year. The Group is currently in the process of renegotiating to revise certain terms and conditions of the Master Development Agreement for the Bukit Katil Land, subject to mutual agreement of the contracting parties. The potential positive effects arising from the renegotiation of the terms and conditions, if any, would be reflected in the interim financial statements of subsequent periods.

Based on the requirement in MFRS 123, borrowing costs incurred on an asset is not qualified for capitalisation if there are no substantial development activities undertaken to change the asset's condition.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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
(4Q19 vs. 4Q18) (contd.)****Property Development (contd.)**

The development plans for Bukit Katil land in Malacca have been impacted by overall soft property market. In addition, the delay on Kuala Lumpur-Singapore high speed rail (“HSR”) project curtailed Encorp’s earlier plans to leverage on the proximity of the future HSR Ayer Keroh station to develop a new township at Bukit Katil to ensure project feasibility.

Investment Property

The revenue for the investment property division in 4Q19 is RM1.8 million, a significant improvement of RM1.4 million from the revenue of RM0.4 million in 4Q18.

The management is reviewing its plans to intensify marketing plans 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 revenue of RM19.2 million in 4Q19 as compared to revenue of RM20.6 million in 4Q18.

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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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 4Q19 of RM62.3 million is higher by RM22.3 million as compared to revenue for 3Q19 of RM40.0 million. Loss before tax in preceding quarter of RM5.3 million has increased by RM12.4 million to loss before tax of RM17.7 million.

Increase in loss before tax for current quarter as compared to immediate preceding quarter is due to charging out of interest expenses on Bukit Katil Land in current quarter.

B3. Commentary on prospects

The outlook of property sector is expected to remain challenging with large property overhang in certain subsectors. The volatility and uncertainty in the market arising from COVID-19 virus has affected various aspects of the economic activities including the tourism, consumer spending and supply chain. This has negatively affected the sentiment of potential house buyers.

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.

The Group shall continue to develop and introduce innovative 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Income tax	(3,868)	(2,036)	(1,846)	(20,810)
Deferred tax	(3,923)	(3,278)	(4,882)	7,338
	<u>(7,791)</u>	<u>(5,314)</u>	<u>(6,728)</u>	<u>(13,472)</u>

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2019 (contd.)

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

B5. Income tax (contd.)

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 year 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

Disposal of assets and liabilities of disposal group

As at 31 December 2019, the disposal group which was classified as held for sale has been derecognised upon execution of certain novation and settlement agreements. This has resulted in a gain on deconsolidation of subsidiaries of approximately RM3 million.

Disposal of investment in associate

On 22 December 2019, Encorp Bukit Katil Sdn Bhd ("EBKSB"), a direct wholly-owned subsidiary of Encorp Berhad, has disposed off the share in its associate, Sinmah Development JV Sdn Bhd ("SDJSB"). This is due the conditions precedent of the JVSA dated 8 June 2017 entered into between EBKSB, SDSB and SDJSB for the Proposed Joint Venture have not been fulfilled as of 6 December 2018. No gain and loss was recognised arising from the disposal.

B7. Purchase or disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial year ended 31 December 2019.

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.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2019 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)****B8. Status of corporate proposals (contd.)**

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 31.12.2019	
	Current	Non-current
	RM'000	RM'000
Secured		
Sukuk Murabahah	63,079	721,942
Term loan	13,501	40,640
Revolving credit	38,900	-
	<u>115,480</u>	<u>762,582</u>

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 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 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 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 11th April 2018, 7th May 2018, 27th June 2018 and 6th July 2018.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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 6th November 2019, served a Notice of Arbitration dated 6th November 2019 on Konsortium Ipmines Merz Sdn Bhd ("KIMSB") to refer EIDSB's claims on liquidated damages for delay to complete the Project to arbitration, pursuant to the provisions of the Conditions of Contract.

EIDSB is the employer who has awarded KIMSB, the main contractor for building works construction project known as "Cadangan Pembangunan Pangsapuri Servis (571 unit) Dan Ruang Niaga Yang Mengandungi: A) i) 1 Blok Podium 7 Tingkat Yang Terdiri Daripada: 1 Tingkat Bawah Lobi Utama Dan Ruang Perniagaan & 6 Tingkat Tempat Letak Kereta; ii) 1 Blok Pangsapuri Servis (Menara 1) 23 Tingkat (199 Unit) Berserta Dengan Kemudahan Rekreasi; B) i) 1 Blok Pangsapuri Servis 35 Tingkat (372 Unit) Yang Terdiri Daripada: 1 Tingkat Bawah Lobi Utama Dan Ruang Perniagaan, 4 Tingkat Lobi Utama Dan Ruang Servis & Pangsapuri Servis (Menara 2a) 30 Tingkat (364 Unit) Berserta Dengan Kemudahan Rekreasi; ii) 1 Blok Pangsapuri Servis (Menara 2b) 4 Tingkat (8 Unit) Berserta Dengan Kemudahan Rekreasi Di Atas Lot PTD 166961, Mukim Pulau, 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.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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 6th November 2019.

B11. Dividends

The Board of Directors did not recommend any dividend for the quarter ended 31 December 2019.

B12. Profit for the period

	Quarter ended 31.12.2019 RM'000	Year-to-date ended 31.12.2019 RM'000
The profit/loss is arrived at after charging/(crediting):		
a) Interest income	(1,872)	(6,413)
b) Other income	(2,806)	(4,539)
c) Interest expense	61,692	127,004
d) Depreciation and amortisation	622	2,523
e) Employee benefits	(680)	8,972
f) Unrealised loss on foreign exchange	(1,482)	59
g) Operating lease		
- premises	18	87
- equipment	17	104
- others	1	14
h) Impairment loss for receivables	440	700
i) Doubtful debt recovered	(4)	(870)
j) Written off on investment property	570	570
k) Impairment on goodwill	6,000	6,000
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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
		Restated		Restated
Loss attributable to owners of the parent	<u>(30,024)</u>	<u>(14,486)</u>	<u>(46,397)</u>	<u>(7,471)</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>
Basic EPS (sen)	<u>(10.20)</u>	<u>(4.93)</u>	<u>(15.77)</u>	<u>(2.54)</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 February 2020.

By Order of the Board

ENCORP BERHAD

Company No. 200001004231 (506836-X)

Lee Lay Hong

Company Secretary

Date: 28 February 2020