



Company No. 200001004231 (506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 DECEMBER 2020**

**ENCORP BERHAD**

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER 31 DECEMBER 2020**

	Quarter ended		Year-to-date ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	45,398	62,283	134,117	165,619
Cost of sales	(14,128)	(24,689)	(41,773)	(58,135)
Gross profit	31,270	37,594	92,344	107,484
Other income	4,055	5,548	10,651	11,822
Selling and marketing expenses	(253)	535	(686)	(1,206)
Administrative expenses	(208)	(592)	(11,412)	(17,099)
Finance costs	34,556	(53,562)	(53,340)	(127,004)
Other expenses	(8,143)	(7,193)	(35,997)	(9,094)
Profit/(Loss) before tax	61,277	(17,670)	1,560	(35,097)
Income tax	(7,069)	(7,791)	(8,168)	(6,728)
Profit/(Loss) net of tax	54,208	(25,461)	(6,608)	(41,825)
<b>Other comprehensive income/(loss)</b>				
Foreign currency translation	(2,536)	(1,226)	(3,421)	(308)
<b>Total comprehensive income/(loss) for the year</b>	<b>51,672</b>	<b>(26,687)</b>	<b>(10,029)</b>	<b>(42,133)</b>
<b>Profit/(Loss) attributable to:</b>				
Owners of the parent	55,974	(30,024)	(3,643)	(46,397)
Non-controlling interest	(1,766)	4,563	(2,965)	4,572
	<b>54,208</b>	<b>(25,461)</b>	<b>(6,608)</b>	<b>(41,825)</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the parent	53,438	(31,250)	(7,064)	(46,705)
Non-controlling interest	(1,766)	4,563	(2,965)	4,572
	<b>51,672</b>	<b>(26,687)</b>	<b>(10,029)</b>	<b>(42,133)</b>
<b>Loss per share attributable to owner of the parent (sen)</b>				
Basic	17.70	(9.81)	(1.15)	(15.16)

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 2019 and the accompanying explanatory notes attached to the interim financial statements.

**ENCORP BERHAD**

Company No. 200001004231(506836-X)

(Incorporated in Malaysia)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020**

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	5,084	5,298
Right-of-use assets	19,622	21,056
Intangible assets	14	7,470
Investment properties	284,050	303,050
Land held for property development	36,683	501,581
Trade and other receivables	627,313	692,239
Other investments	-	4,301
Deferred tax assets	9,356	15,068
	<u>982,122</u>	<u>1,550,063</u>
<b>Current assets</b>		
Property development costs	15,253	66,903
Inventories	129,684	81,219
Contract assets	343	5,452
Tax recoverable	1,294	1,094
Trade and other receivables	128,912	115,524
Other current assets	761	381
Other investments	127,799	123,215
Cash and cash equivalents	29,892	45,853
	<u>433,938</u>	<u>439,641</u>
<b>Total assets</b>	<u>1,416,060</u>	<u>1,989,704</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2020 (contd.)**

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
<b>Equity and liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	70,195	346,845
Other current liabilities	21,407	14,538
Contract liabilities	8,326	4,181
Loans and borrowings	127,329	125,014
Income tax payable	2,435	701
	<u>229,692</u>	<u>491,279</u>
<b>Non-current liabilities</b>		
Trade and other payables	17,668	286,447
Loans and borrowings	719,175	775,053
Deferred tax liabilities	1,422	3,701
	<u>738,265</u>	<u>1,065,201</u>
<b>Total liabilities</b>	<u>967,957</u>	<u>1,556,480</u>
<b>Equity attributable to owners of parent</b>		
Share capital	399,016	397,280
Treasury shares	(327)	(327)
Other reserves	22,653	2,902
Accumulated Loss	(57,609)	(53,966)
	<u>363,733</u>	<u>345,889</u>
Non-controlling interest	84,370	87,335
<b>Total equity</b>	<u>448,103</u>	<u>433,224</u>
<b>Total equity and liabilities</b>	<u>1,416,060</u>	<u>1,989,704</u>
Net assets per share attributable to owner of the parents (RM/share)	<u>1.15</u>	<u>1.13</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

**ENCORP BERHAD**

Company No. 200001004231(506836-X)  
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE QUARTER ENDED 31 DECEMBER 2020**

	←	Non-distributable		→			
	Share capital RM'000	Treasury shares RM'000	Other reserves RM'000	Accumulated Loss RM'000	Non-controlling Total interest RM'000	Total interest RM'000	Total equity RM'000
<b>At 1 January 2020</b>	397,280	(327)	2,902	(53,966)	345,889	87,335	433,224
Loss for the year	-	-	-	(3,643)	(3,643)	(2,965)	(6,608)
Other comprehensive loss	-	-	(3,421)	-	(3,421)	-	(3,421)
Total comprehensive loss for the year	-	-	(3,421)	(3,643)	(7,064)	(2,965)	(10,029)
<b>Transaction with owners:</b>							
Private placement exercise	1,736	-	-	-	1,736	-	1,736
Waiver of amounts due to ultimate holding body	-	-	23,172	-	23,172	-	23,172
<b>At 31 December 2020</b>	399,016	(327)	22,653	(57,609)	363,733	84,370	448,103
<b>At 1 January 2019</b>	392,898	(327)	3,210	(7,569)	388,212	82,343	470,555
(Loss)/Profit for the year	-	-	-	(46,397)	(46,397)	4,572	(41,825)
Other comprehensive loss	-	-	(308)	-	(308)	-	(308)
Total comprehensive (loss)/income for the year	-	-	(308)	(46,397)	(46,705)	4,572	(42,133)
<b>Transaction with owners:</b>							
Private placement exercise	4,382	-	-	-	4,382	-	4,382
Derecognition of subsidiaries	-	-	-	-	-	420	420
<b>At 31 December 2019</b>	397,280	(327)	2,902	(53,966)	345,889	87,335	433,224

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements.

**ENCORP BERHAD**

Company No. 200001004231(506836-X)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE QUARTER ENDED 31 DECEMBER 2020**

	Year-to-date ended	
	31.12.2020	31.12.2019
	RM'000	RM'000
<b>Cash flows from operating activities</b>		
Profit/(Loss) before tax	1,560	(35,097)
<u>Adjustments:</u>		
Depreciation	2,405	2,387
Amortisation of intangible assets	62	136
Interest expenses	53,340	127,004
Loss/(Gain) on disposal of investment security	236	(98)
Distribution income from money market investment security	(3,435)	(4,346)
Interest income	(2,751)	(1,969)
Gain on disposal of assets	-	(3,496)
Deposit forfeited income	(286)	(283)
Provision for short-tem accumulating compensated absences	243	202
Impairment of Goodwill	7,404	6,000
Fair value loss on investment properties	19,000	570
Write down of inventories	1,322	-
Write off of land held for development	1,159	-
Write off of property, plant and equipment	-	4
Unwinding of discount on other liabilities at amortised cost	(1,396)	1,607
Expected credit losses of trade receivables	425	-
Impairment of other investments	4,645	-
Development expenditure written off	2,497	-
Reversal of impairment of trade receivables	-	673
Liquidated and ascertained damages	1,810	908
Unrealised (gain)/loss on forex	(4,872)	909
Operating profit before working capital changes	<u>83,368</u>	<u>95,111</u>
<u>Changes in working capital:</u>		
Changes in land held for property development and property development cost	(528)	15,756
Inventories	8,077	3,697
Trade and other receivables	55,669	100,207
Contract assets and contract liabilities	9,254	4,527
Other current assets	(380)	753
Trade and other payables	(39,159)	(36,673)
Other current liabilities	5,059	(8,293)
Cash generated from operations:	<u>121,360</u>	<u>175,085</u>
Income tax paid	(2,599)	(5,968)
Interest paid	(51,544)	(55,176)
Net cash generated from operating activities	<u>67,217</u>	<u>113,941</u>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 2020 (contd.)**

	<b>Year-to-date ended</b>	
	<b>31.12.2020</b>	<b>31.12.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from investing activities</b>		
Interest received	2,515	2,067
Acquisition of property, plant and equipment	(208)	(221)
Acquisition of intangible assets	(10)	-
Disposal of associates	-	30
Distribution income received	3,435	4,346
Placement of investment security	(4,928)	(11,443)
Net cashflow generated from/(used in) investing activities	<u>804</u>	<u>(5,221)</u>
<b>Cash flows from financing activities</b>		
Net borrowing/(repayment) of loans & borrowing	10,151	(43,530)
Repayment of Sukuk Murabahah	(90,000)	(85,000)
Withdrawal/(Pledge) of deposits	214	(157)
Proceeds received from private Placement	1,736	4,382
Net payment in finance lease payables	(2,448)	(2,196)
Net cashflow used in financing activities	<u>(80,347)</u>	<u>(126,501)</u>
Net decrease in cash and cash equivalents	(12,326)	(17,781)
Effect of exchange rate changes	(3,421)	(308)
Cash and cash equivalents at beginning of period	42,868	60,957
Cash and cash equivalents at end of period	<u>27,121</u>	<u>42,868</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	2,740	1,127
- Licensed corporation	31	31
Cash and bank balances	<u>27,121</u>	<u>44,695</u>
	29,892	45,853
Less: Bank balances and deposits pledged	<u>(2,771)</u>	<u>(2,985)</u>
<b>Cash and cash equivalents at end of period</b>	<u>27,121</u>	<u>42,868</u>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2019 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 2020****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 2019. 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 2019.

**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 2019, except for the following new MFRSs, Amendments to MFRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2020. The adoption of the following amendments to MFRS and IC Interpretations does not have significant impact to the unaudited condensed financial statements.

**a) Amendments to MFRSs and IC Interpretations effective for the financial periods beginning on or after 1 January 2020**

<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
Amendments to MFRS 9, MFRS 139 and MFRS 7 - Financial instruments, Financial instruments: Recognition and Measurement and Financial instruments: disclosures	1 January 2020

**b) MFRSs and Amendments to MFRSs but not yet effective**

The Group expected the adoption of the following standards and amendments to MFRSs will have no significant impact to the financial statements in the period of initial application.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 DECEMBER 2020 (contd.)**

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

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

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

Description	Effective for annual periods beginning on or after
Amendments to MFRS 16 Leases	1 January 2021
Amendments to MFRS 9, MFRS 139 and MFRS 7, MFRS 4 and MFRS 16 - Financial instruments, Financial instruments: Recognition and Measurement, Financial instruments: disclosures, Insurance contracts and Leases	1 January 2021
Amendments to MFRS 1 First-time adoption of Malaysian Financial Reporting Standards	1 January 2022
Amendments to MFRS 9 Financial Instruments	1 January 2022
Amendments to MFRS 116 Property, plant and equipment	1 January 2022
Amendments to MFRS 141 Agriculture	1 January 2022
Amendments to MFRS 3 Business Combinations	1 January 2022
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 101 Presentation of Financial Statements	1 January 2023
Amendments to MFRS 10 and MFRS 128 – Consolidated financial statements and Investment in Associates and joint venture	Deferred until further notice

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

The Group's latest audited financial statements for the financial year ended 31 December 2019 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**

During the year, one of the subsidiary of the Group, Encorp Bukit Katil Sdn. Bhd. ("EBKSB") has re-delivered the land to Federal Land Development Authority ("FELDA"). Please refer to "B6. Disposal of unquoted investments, asset and properties" for further details.

The Group has recognised an expected credit loss of RM4.6 million on the investment placed with a financial advisory firm in Q4-2020. Please refer to "B1a. Performance review – Property Development" for further details.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 DECEMBER 2020 (contd.)****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A6. Debt and equity securities**

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

**a) Treasury shares**

As at 31 December 2020, 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 RM136.5 million had been remitted in the financial year 2020 whereas the next principal and profit payment amounting to RM66.4 million is scheduled in May 2021.

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

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

**c) Ordinary shares**

On the 23 September 2020, the Company had announced to undertake a private placement up to 30,608,821 new ordinary shares in Encorp representing ten per cent of the total number of issued shares of Encorp (excluding treasury shares). On the 16 October 2020, the first tranche of the Private Placement has been completed following the listing of and quotation for 10,210,500 Placement Shares on the Main Market of Bursa Securities. The issue price per share for the placement is RM0.17. Kindly refer to "B8. Status of corporate proposals" for further elaboration on the private placement proposal.

**A7. Dividend paid**

No dividend was paid during the quarter ended 31 December 2020.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2020 (contd.)****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A8. Segmental information**

The Group's segment revenue and results are presented by industry segments for the year ended 31 December 2020 as follows: -

	Investment holding RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction project management RM'000	Others* RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
<b>Revenue</b>								
External customers	-	72,744	57,054	4,319	-	-	-	134,117
Inter-segment	5,880	-	-	754	-	-	(6,634)	-
<b>Total Revenue</b>	<b>5,880</b>	<b>72,744</b>	<b>57,054</b>	<b>5,073</b>	<b>-</b>	<b>-</b>	<b>(6,634)</b>	<b>134,117</b>
<b>Results:</b>								
Segment results	(10,884)	71,505	(16,582)	(1,845)	(155)	(805)	43,472	84,706
Interest income	3,454	3,301	11,793	1	2	25	(12,385)	6,191
Interest expense	(2,623)	(73,441)	19,317	(8,956)	(17)	(5)	12,385	(53,340)
Impairment of goodwill	-	-	-	-	-	-	(7,404)	(7,404)
Impairment of inventories	-	-	(1,322)	-	-	-	-	(1,322)

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2020 (contd.)****PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134 (contd.)****A8. Segmental information (contd.)**

The Group's segment revenue and results are presented by industry segments for the year ended 31 December 2020 as follows (contd.): -

	Investment holding RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Construction project management RM'000	Others* RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
<b>Results (contd.):</b>								
Impairment of land held for property development	-	-	(1,180)	-	-	-	21	(1,159)
Impairment of investment properties	-	-	-	(19,000)	-	-	-	(19,000)
Impairment of other investment	-	-	(4,645)	-	-	-	-	(4,645)
Depreciation and amortisation	(2,083)	-	(78)	(202)	-	(3)	(101)	(2,467)
<b>(Loss)/Profit before tax</b>	<b>(12,136)</b>	<b>1,365</b>	<b>7,303</b>	<b>(30,002)</b>	<b>(170)</b>	<b>(788)</b>	<b>35,988</b>	<b>1,560</b>

\* This segment represents Trading, Food and Beverage and Facility Management divisions.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 DECEMBER 2020 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET  
LISTING REQUIREMENTS OF BURSA****B1. Performance review****a) Performance of the current quarter against the preceding year corresponding quarter  
(Q4-2020 vs. Q4-2019)**

The Group's revenue for the quarter ended 31 December 2020 ("Q4-2020") of RM45.4 million is 27.1% lower than previous year's quarter ended 31 December 2019 ("Q4-2019") revenue of RM62.3 million. Decrease in revenue is mainly attributed from reduced sales of properties as the Movement Control Order ("MCO") imposed due to the Covid-19 pandemic crisis has restricted marketing and sales activity significantly.

Group profit before tax for Q4-2020 recorded at RM61.3 million as compared to previous year's corresponding quarter loss before tax Q4-2019 of RM17.7 million. The profit before tax shows an improvement of RM79.0 million mainly attributed by the reversal of accretion interest for financial year 2019 and cumulative accretion interest as at Q3-2020 of RM46.8 million and cumulative interest charges as at Q3-2020 of RM9.1 million.

On 30 December 2020, a subsidiary of the Group, EBKSB has entered into a settlement agreement with FELDA to re-deliver the land to FELDA and in return FELDA agreed to release and discharge the obligations on the part of EBKSB pursuant to the Master Development Agreement dated 20 January 2016 including waiving all outstanding amounts due from EBKSB to FELDA.

**Property Development**

This segment recorded revenue of RM27.3 million for the Q4-2020 as compared to the revenue of RM41.3 million in Q4-2019, a decrease of 33.9% or RM14.0 million. The revenue recorded for property development segment was generated from the launch of landed development, Dahlia and Clover parcels at Encorp Cahaya Alam. The sales of high-rise properties in Johor and Selangor remained weak due to overhang and poor buying sentiment arising from the Covid-19 pandemic.

Profit before tax for the segment in Q4-2020 is RM30.6 million compared to loss before tax of RM12.5 million in Q4-2019 reflecting an increase in profit of RM43.1 million. This improvement in profit before tax is due to reversal of accretion interest for financial year 2019 of RM27.8 million, reversal of cumulative accretion interest as at Q3-2020 of RM19.0 million and reversal of cumulative interest charges as at Q3-2020 of RM9.1 million. The reversal of interest is due to the signing of settlement agreement between EBKSB and FELDA on 30 December 2020.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 DECEMBER 2020 (contd.)****PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET  
LISTING REQUIREMENTS OF BURSA (contd.)****B1. Performance review (contd.)****a) Performance of the current quarter against the preceding year corresponding quarter  
(Q4-2020 vs. Q4-2019) (contd.)****Property Development (contd.)**

Profit before tax for property segment has been impacted by adverse impact from Covid-19 pandemic on the property market in Malaysia and Australia. Inclusive in year-to-date profit before tax for Q4-2020 are one-off impairment adjustments on impairment of goodwill of RM7.4 million, impairment of inventories in Encorp Marina, Johor of RM1.3 million and impairment of land held for property development in Western Australia of RM1.2 million.

Encorp Development Pty Ltd (“EDPL”), a subsidiary of the Group based in Australia has recognised an impairment of AUD1.5 million equivalent to RM4.6 million on the investment placed with a financial services advisory firm in Q4-2020. EDPL has not received the investment despite having submitted the request for liquidation and remittance in December 2020. The Group has also initiated legal proceedings against the financial advisory services firm involved for the recovery of this balance. The legal proceedings are currently ongoing.

**Investment Property**

The revenue for the investment property segment reported at RM0.5 million in Q4-2020 as compared to RM1.8 million in Q4-2019. Covid-19 pandemic crisis has a devastating impact on the retail industry. The reduction in revenue is due to lower footfall and rental rebate given during MCO.

This segment has recorded profit before tax of RM0.4 million in Q4-2020 as opposed to loss before tax of RM4.6 million in Q4-2019. The improvement in Q4-2020 profit was due to reversal of fair value loss of investment properties of RM4.0 million resulting from revision of mall valuation. With this reversal, the year-to-date valuation loss of investment properties is RM19.0 million. The prolonged MCO has caused retail business to remain weak. As such, the fair value of investment properties has reduced as a result of the weak retail market.

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

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

**B1. Performance review (contd.)**

**a) Performance of the current quarter against the preceding year corresponding quarter  
(Q4-2020 vs. Q4-2019) (contd.)**

**Concessionaire**

The concession division recorded revenue of RM17.6 million in Q4-2020 as compared to revenue of RM19.2 million in Q4-2019.

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.

**B2. Comparison with Immediate Preceding Quarter**

The Group posted revenue of RM45.4 million in Q4-2020 as compared to revenue of RM36.8 million in Q3-2020. The revenue marked an improvement of 23.4% or RM8.6 million over the preceding quarter. The increase in revenue for Q4-2020 as compared to Q3-2020 is mainly due to the higher revenue contribution from the property development segment.

Revenue from property segment in Q4-2020 was reported at RM27.3 million as compared to RM17.1 million in Q3-2020. Revenue in Q4-2020 marked the highest revenue in the four quarters of financial year 2020 following a gradual relaxation of MCO from Q3-2020 onwards. The recent launch of landed properties in Cahaya Alam has been able to generate favourable sales.

Profit before tax for Q4-2020 of the Group stood at RM61.3 million as compared to loss before tax of RM35.4 million in Q3-2020. The increase in profit before tax for the quarter is mainly due to reversal of accretion interest for financial year 2019 and cumulative accretion interest as at Q3-2020 of RM46.8 million and cumulative late payment interest charges as at Q3-2020 of RM9.1 million.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 31 DECEMBER 2020 (contd.)**

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

**B3. Commentary on prospects**

With the recent spike on Covid-19 cases, the Government has announced that the Movement Control Order 2.0 (“MCO 2.0”) to 4 March 2021 followed by CMCO to 14 April 2021. Although the MCO 2.0 is in place, the construction works for our property development project is able to continue its operation.

Property buyers’ sentiment has also been affected from the current economic situation. Landed residential properties continue to remain in demand from projects in strategic location. However, high-rise residential properties continue to remain challenging at this juncture due to overhang units. The impact of Covid-19 pandemic has resulted in the implementation of MCO 2.0 to curb the spread of new cases. This has resulted in challenges for property Investment segment recovery process. Retail industry has seen a huge drop in their business as buyer move on with the new norm of online shopping.

The Group will continue to embrace technology in its marketing activities to reach out to customers and provide attractive sales package to potential buyers. Additionally, aggressive marketing activities will be conducted to improve the sale of landed residential properties at Encorp Cahaya Alam in Shah Alam as well as high-rise properties in Puteri Harbour Johor.

The Group remains cautious on the future prospects in view of the current Covid-19 pandemic crisis. On the landed properties at Encorp Cahaya Alam, the Group will continue to launch units in these projects due to its strategic location, excellent accessibility and favourable response in its recent launches.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
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LISTING REQUIREMENTS OF BURSA (contd.)****B4. Variance from forecast profit and profit guarantee**

Not applicable.

**B5. Income tax**

	Quarter ended		Year-to-date ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Income tax	(810)	(3,868)	(4,735)	(1,846)
Deferred tax	(6,259)	(3,923)	(3,433)	(4,882)
	<u>(7,069)</u>	<u>(7,791)</u>	<u>(8,168)</u>	<u>(6,728)</u>

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

The effective tax rates of the Group are higher than statutory tax rates due to charging out of deferred tax assets for one of the subsidiary of the Group. With the overhang of high-rise properties in Johor and the unprecedented impact of Covid-19, it is not probable that future taxable profit will be available against the deductible temporary differences for the subsidiaries which have mainly high-rise project in Johor.

**B6. Disposal of unquoted investments, assets and properties**

On 30 December 2020, EBKSB has entered into a settlement agreement FELDA to discharge EBKSB's obligation on the land to FELDA pursuant to the Master Development Agreement dated 20 January 2016 including waiving all outstanding amounts due from EBKSB to FELDA. In return, Encorp has agreed to execute the requisite renunciation of the Power of Attorney dated 20 January 2016. Arising from this settlement agreement, the outstanding balance to FELDA of RM506.6 million has been derecognised.

The carrying amount of the land held for development amounted to RM458.1 million. The capitalised amounts included the cumulative development expenditure of RM2.5 million and the effects of the accretion of the amount due to FELDA amounting to RM75.6 million. The development expenditure was written off during the year following the execution of the settlement agreement.

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LISTING REQUIREMENTS OF BURSA (contd.)****B7. Purchase or disposal of quoted securities**

There were no purchase or disposal of quoted securities for the financial year ended 31 December 2020.

**B8. Status of corporate proposals**

On the 23 September 2020, 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 30,608,821 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 24 September 2020 on behalf of Encorp submitted the listing application in relation to the Proposed Private Placement to Bursa Malaysia Securities Berhad ('Bursa Securities'). On 28 September 2020, MIDF had announced additional information in relation to the proposed placement. The listing application which submitted on 24 September 2020 was duly approved by Bursa Securities vide its letter dated 1 October 2020.

On the 16 October 2020, the first tranche of the Private Placement has been completed following the listing of and quotation for 10,210,500 Placement Shares on the Main Market of Bursa Securities. The issue price per share for the placement is RM0.17.

**B9. Borrowings and debt securities**

	<b>As at 31.12.2020</b>	
	<b>Current RM'000</b>	<b>Non-current RM'000</b>
<b>Secured</b>		
Sukuk Murabahah	70,082	651,861
Term loan	13,501	36,818
Bridging loan	-	10,422
Revolving credit	42,450	-
Lease liabilities	1,296	20,074
	<u>127,329</u>	<u>719,175</u>

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### **EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 31 DECEMBER 2020 (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 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.

Bumimetro has counterclaimed against MEDSB, among others, on the sum of RM12,534,461.52 being the sums certified, RM6,810,054.96 being the uncertified progress claim, the sum of RM5,879,769.83 being the release of the 2<sup>nd</sup> moiety of the retention sum and general damages.

Pending the outcome of the arbitrator's decision, it is too preliminary at this stage to ascertain the potential financial impact that could arise from the arbitration. The arbitration however should not have any material financial impact to the Encorp Group for the financial year ending 31 December 2020.

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.

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

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

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

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

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

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

**B11. Dividends**

The Board of Directors did not recommend any dividend for the quarter ended 31 December 2020.

**B12. Profit for the period and year**

	Quarter ended 31.12.2020 RM'000	Year-to-date ended 31.12.2020 RM'000
The profit/loss is arrived at after charging/(crediting):		
a) Interest income	(2,095)	(6,191)
b) Other income	(1,960)	(4,460)
c) Interest expense	(34,556)	53,340
d) Depreciation and amortisation	613	2,467
e) Employee benefits	212	8,424
f) Unrealised gain on foreign exchange	(3,377)	(4,872)
g) Operating lease		
- equipment	23	131
- others	5	8
h) Expected credit losses of receivables	428	425
i) Impairment on other investments	4,645	4,645
j) Written off on investment property	(4,000)	19,000
k) Impairment on goodwill	4,404	7,404
l) Write down on inventory	1,322	1,322
m) Write down on land held for development	1,159	1,159

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LISTING REQUIREMENTS OF BURSA (contd.)****B13. Earnings/(Loss) per share ("EPS")**

## a) Basic EPS

	Quarter ended		Year-to-date ended	
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to owners of the parent	<u>55,974</u>	<u>(30,024)</u>	<u>(3,643)</u>	<u>(46,397)</u>
Weighted average number of ordinary shares in issue	<u>316,299</u>	<u>306,088</u>	<u>316,299</u>	<u>306,088</u>
<b>Basic EPS (sen)</b>	<u>17.70</u>	<u>(9.81)</u>	<u>(1.15)</u>	<u>(15.16)</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 31 March 2021.

By Order of the Board

**ENCORP BERHAD****Company No. 200001004231 (506836-X)****Lee Lay Hong**

Company Secretary

Date: 31 March 2021