



**INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE
ENDED 30 JUNE 2012
(UNAUDITED)**

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

	Quarter ended		Year-to-date ended	
	30.06.2012 <i>Unaudited</i> RM'000	30.06.2011 <i>Unaudited</i> RM'000	30.06.2012 <i>Unaudited</i> RM'000	30.06.2011 <i>Unaudited</i> RM'000
Revenue	84,536	76,256	143,322	139,066
Cost of sales	(36,224)	(41,341)	(58,982)	(72,133)
Gross profit	48,312	34,915	84,340	66,933
Other income	1,821	1,305	2,893	3,227
Marketing and distribution	(2,541)	(953)	(3,721)	(1,625)
Administrative expenses	(10,628)	(6,845)	(16,804)	(13,967)
Other expenses	(4,930)	(2,013)	(7,274)	(3,807)
Finance costs	(28,408)	(25,924)	(53,667)	(50,635)
Profit before tax	3,626	485	5,767	126
Income tax expense	(3,468)	(726)	(5,752)	(839)
Profit/(loss) net of tax	158	(241)	15	(713)
Other comprehensive income, net of tax				
Foreign currency translation	(16)	(131)	(28)	(494)
Total comprehensive income for the period	142	(372)	(13)	(1,207)
Profit attributable to:				
Owners of the parent	(3,519)	(736)	(5,036)	(1,115)
Minority interests	3,677	495	5,051	402
	158	(241)	15	(713)
Total comprehensive income attributable to:				
Owners of the parent	(3,535)	(867)	(5,064)	(1,609)
Minority interests	3,677	495	5,051	402
	142	(372)	(13)	(1,207)
Earning per share attributable to owner of the parent (sen)				
Basic EPS	(1.61)	(0.34)	(2.31)	(0.51)
Diluted EPS	(1.24)	0.15	(1.77)	0.01

The above consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012**

	As at 30.06.2012 <i>Unaudited</i> RM'000	As at 31.12.2011 <i>Audited</i> RM'000
Assets		
Non-current assets		
Property, plant and equipment	15,527	12,222
Intangible assets	106,730	111,059
Land held for property development	51,326	32,062
Trade receivables	1,047,570	1,063,117
Deferred tax assets	2,778	1,653
	<u>1,223,931</u>	<u>1,220,113</u>
Current assets		
Property development cost	273,809	223,092
Inventories	44,597	44,615
Tax recoverable	514	514
Trade and other receivables	107,086	130,576
Short term investment	191,853	118,074
Cash and bank balances	55,260	30,927
	<u>673,119</u>	<u>547,798</u>
Total assets	<u>1,897,050</u>	<u>1,767,911</u>

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012 (contd.)**

	As at 30.06.2012 <i>Unaudited</i> RM'000	As at 31.12.2011 <i>Audited</i> RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	128,463	118,691
Loans and borrowings	72,679	97,575
Income tax payables	4,269	1,943
	<u>205,411</u>	<u>218,209</u>
Non-current liabilities		
Trade payables	24,226	30,308
Loans and borrowings	1,278,438	1,131,144
Deferred tax liabilities	9,190	8,452
	<u>1,311,854</u>	<u>1,169,904</u>
Total liabilities	<u>1,517,265</u>	<u>1,388,113</u>
Equity attributable to owners of parent		
Share capital	223,509	223,509
Treasury shares	(4,559)	(4,559)
Share premium	102,435	102,435
Other reserve	7,269	7,297
Retained profit / (Accumulated losses)	13,837	18,873
	<u>342,491</u>	<u>347,555</u>
Minority interest	37,294	32,243
Total equity	<u>379,785</u>	<u>379,798</u>
Total equity and liabilities	<u>1,897,050</u>	<u>1,767,911</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2012

RM'000	Non-distributable				Distributable			Total equity	
	Share capital	Share premium	Treasury shares	Equity component of RCLS	Foreign currency translation reserve	Other (Accumulated reserves	Retained Profit / losses)		Minority interest
At 1 January 2012	223,509	102,435	(4,559)	874	1,741	7,296	18,874	32,243	379,798
Total comprehensive income for the period	-	-	-	-	(28)	(28)	(5,036)	5,051	(13)
Transaction with owners:									
Issuance of RCLS	-	-	-	-	-	-	-	-	-
Right issue expense	-	-	-	-	-	-	-	-	-
At 30 June 2012	223,509	102,435	(4,559)	874	1,713	7,268	13,838	37,294	379,785
At 1 January 2011	223,509	104,574	(4,559)	-	1,715	1,715	(5,695)	26,724	346,268
Total comprehensive income for the period	-	-	-	-	(494)	(494)	(1,115)	402	(1,207)
Transaction with owners:									
Issuance of RCLS	-	(2,018)	-	4,772	784	5,556	-	-	5,556
Right issue expense	-	(2,018)	-	4,772	784	5,556	-	-	(2,018)
At 30 June 2011	223,509	102,556	(4,559)	4,772	784	6,777	(6,810)	27,126	348,599

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2012**

	Year-to-date ended	
	30.06.2012 <i>Unaudited</i> RM'000	30.06.2011 <i>Unaudited</i> RM'000
Cash flows from operating activities		
Profit before taxation	5,767	126
Adjustments:		
Depreciation	2,939	495
Amortisation of intangible assets	180	172
Impairment of goodwill on consolidation	4,155	3,140
Bad debts written off	2,128	-
Distribution income from Fixed Maturity Fund	(1,174)	-
Net (gain)/ loss on disposal of property, plant and equipment	-	(956)
Loss/(gain) on disposal of short term investment	(365)	-
Interest expenses	53,667	50,635
Interest income	(578)	(2,185)
Operating profit before working capital changes	66,719	51,427
Changes in working capital:		
Net changes in current assets	15,532	81,847
Net changes in current liabilities	3,696	(39,842)
Net changes in property development cost	(50,717)	(21,898)
Cash generated from operations	35,230	71,534
Income tax paid	(4,111)	(849)
Tax refund	297	672
Interest paid	(1,053)	(821)
Net cash generated from operating activities	30,363	70,536
Cash flows from investing activities		
Interest received	2,116	2,185
Proceeds from disposal of property, plant and equipment	-	4,027
Purchase of property, plant and equipment	(4,122)	(870)
Investment in short term funds	(73,779)	(5,531)
Net cash generated from/ (used in) investing activities	(75,785)	(189)

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2012 (contd.)**

	Year-to-date ended	
	30.06.2012 <i>Unaudited</i> RM'000	30.06.2011 <i>Unaudited</i> RM'000
Cash flows from financing activities		
Redemption of ABBA Notes	(1,135,581)	(63,979)
Proceeds from SUKUK	1,172,321	-
Payment of RCSLS Coupon	(1,971)	(986)
Proceeds from RCSLS	-	65,706
Right issue expense	-	(2,018)
Net proceeds from term loans	31,290	12,079
Placement of deposits pledged	(6,302)	(53,557)
Repayment of bridging loan	-	(20,000)
Proceeds from/(repayment of) revolving credit	4,000	(500)
Repayment of advances from contractor	-	(900)
Repayment of term loans	-	(1,111)
Repayment of hire purchase and finance lease	(445)	(247)
Net cash used in financing activities	63,312	(65,513)
Net increase in cash and cash equivalents	17,890	4,834
Effect of exchange rate changes	(28)	72
Cash and cash equivalents at beginning of period	11,891	10,779
Cash and cash equivalents at end of period	29,753	15,685
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	107	25,906
- Licensed corporation	17,082	53,597
Cash and bank balances	38,071	18,057
Bank overdrafts	(520)	-
	54,740	97,560
Less: Bank balances and deposits pledged / designated	(24,987)	(81,875)
Cash and cash equivalents at end of period	29,753	15,685

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2011 and the accompanying explanatory notes attached to the interim financial statements.

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of preparation

The interim financial statements, other than for financial instruments, have been prepared under the historical cost convention. Financial instruments have been fair valued in accordance to FRS 139 Financial Instruments: Recognition and Measurement.

The interim financial statements are unaudited and have been prepared in accordance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Main market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2011. These explanatory notes attached to the interim financial statements 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 2011.

A2. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2011, except for the adoption of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and IC Interpretations which are applicable for the Group's financial period beginning 1 January 2012.

a) Adoption of FRSs, Amendments to FRSs and IC Interpretations

On 1 January 2012, the Group adopted the following FRSs, Amendments to FRSs and IC Interpretations:-

IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
Amendments to FRS 7	Transfers of Financial Assets
Amendments to FRS 112	Deferred Tax Recovery of Underlying Assets
FRS 124	Related Party Disclosures

Adoption of the above FRSs, Amendments to FRSs and IC Interpretations did not have any effect on the financial performance, position or presentation of financial of the Group.

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

A2. Significant accounting policies (cont'd)

b) New Malaysian Financial Reporting Framework

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of the entities that are within the scope of MFRS141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (Transitioning Entities). The adoption of MFRS Framework for Transitioning Entities will be allowed to defer for an additional one year and will only be mandatory for adoption for annual period beginning on or after 1 January 2014.

The Group falls within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2014.

The Group is currently assessing the implications and financial impact of the MFRS Framework.

c) FRS, IC Interpretations and Amendments to IC Interpretation but not yet effective

At the date of authorisation of these interim financial statements, the following FRS, IC Interpretations and Amendments to IC Interpretation were issued but not yet effective and have not been applied by the Group:

FRS, IC Interpretation and Amendments to IC Interpretation	Effective for annual periods beginning on or after
Amendments to FRS 101	Presentation of Items of Other Comprehensive Income 1 July 2012
FRS 10	Consolidated Financial Statement 1 January 2013
FRS 11	Joint Arrangements 1 January 2013
FRS 12	Disclosure of Interest in Other Entities 1 January 2013
FRS 13	Fair Value Measurement 1 January 2013
FRS 119	Employee Benefits 1 January 2013
FRS 127	Separate Financial Statements 1 January 2013
FRS 128	Investment in Associates and Joint Ventures 1 January 2013
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine 1 January 2013
Amendments to FRS 7	Disclosure - Offsetting Financial Assets Financial Liabilities 1 January 2014
FRS 10	Financial Instruments 1 January 2015

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

A3. Auditors' Report on Preceding Annual Financial Statements

The Group's latest audited financial statements for the financial year ended 31 December 2011 were not subject to any qualification.

A4. Comments about seasonal or cyclical factors

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

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

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the financial period.

A6. Debt and equity securities

There were no issuances, cancellation, repurchases, resales and repayments of debt and equity securities for the financial period ended 30 June 2012 except for the followings:

a) Full redemption and cancellation of Al-Bai Bithaman Ajil Notes ("ABBA Notes")

The ABBA Notes were issued by a subsidiary company, ESSB, to finance the planning, design construction and completion costs of 10,000 units of teachers' quarters for the Government of Malaysia. All ABBA Notes are secured by the assignment of the contract Concession Payments and the Project Escrow Account, and a negative pledge on all assets of ESSB. ESSB is a special purpose vehicle and these ABBA notes raised do not have any financial recourse to the Group. The ABBA notes have been fully redeemed for cancellation with the proceeds from the issuance of Sukuk Murabahah.

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

A6. Debt and equity securities (contd.)

b) Issuance of Sukuk Murabahah

Encorp Systembilt Sdn Bhd, a wholly owned subsidiary of Encorp Berhad, has on 18 May 2012, issued Sukuk Murabahah with a total nominal value of RM1,575 million to refinance all of the amount outstanding under ABBA Notes and to fund the Trustee' Reimbursement Account. The balance of the proceeds has been utilised for ESSB's general corporate purposes which shall include payments to defray expenses incurred in relation to the issuance of Sukuk Murabahah and a one-time dividend payment to its holding company, Encorp Construction & Infrastructure Sdn Bhd ("ECISB"). ECISB has flowed this amount up to Encorp Berhad in the form of dividends and repayment of inter-company loan. Encorp Berhad intends to utilise the amount received from ECISB for capital expenditure and/or working capital requirements for the current projects and/or future investments to be undertaken by Encorp and its subsidiaries .

The Sukuk Murabahah is secured by assignment of the contract Concession Payments and the Project Escrow Account, and a negative pledge on all assets of ESSB. ESSB is a special purpose vehicle and these Sukuk Murabahah raised do not have any financial recourse to the Group.

The principal redemption of the first tranche of the Sukuk Murabahah is in May 2013. The profit of the Sukuk Murabahah is payable half yearly.

c) Treasury shares

As at the date of this report, the total number of treasury shares held was 5,386,000.

A7. Dividend paid

The Board of Directors has on 23 May 2012, declared an interim single-tier dividend of 2 sen per ordinary share in respect of the financial year ending 31 December 2012. The dividend was paid on 4 July 2012 to the shareholders whose names appear in the Register of Members and Record of Depositors on 20 June 2012.

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

A8. Segmental information

The Group's segment revenue and results are presented by industry segments for the year-to-date ended 30 June 2012 as follows: -

	Investment holding	Concessionaire	Construction	Property development	Others*	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue							
External customers	-	54,303	17,040	70,225	1,754	-	143,322
Inter-segment	9,056	-	47,314	2,633	5,439	(64,442)	-
Total Revenue	9,056	54,303	64,354	72,858	7,193	(64,442)	143,322
Results:							
Segment results	168,996	47,961	337	22,165	(696)	(175,935)	62,828
Interest income	1,291	1,490	32	177	-	(1,239)	1,751
Interest expense	(3,089)	(49,919)	(20)	(636)	(3)	-	(53,667)
Depreciation and amortisation	(648)	-	(196)	(61)	(85)	-	(991)
Impairment of goodwill on consolidation	-	-	-	-	-	(4,155)	(4,155)
(Loss)/ Profit before tax	166,550	(469)	153	21,645	(784)	(181,329)	5,767

* This segment represents Trading and Food and Beverage divisions

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A9. Valuation of property, plant and equipment

There were no valuation for property, plant and equipment of the Group during the financial period ended 30 June 2012.

A10. Material events subsequent to the balance sheet date

There were no material events subsequent to the financial period ended 30 June 2012 up to the date of this report.

A11. Changes in the composition of the Group

During the financial period ended 30 June 2012, the following changes in composition were effected:

- (i) Encorp Development Pty Ltd had, on 3 May 2012, incorporated a new wholly-owned subsidiary known as Tea Tree Development Pty Ltd (Australian Company Number 158 151 289) ("TTDPL") in Australia with an issued and paid-up share capital of AUD100 comprising 100 ordinary shares of AUD1.00 each and its principal activity is property development.
- (ii) Encorp Berhad had, on 9 May 2012, incorporated a new wholly-owned subsidiary known as Encorp Facilities Management Sdn Bhd ("EFMSB") with an authorised share capital of RM100,000.00 comprising 100,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up. The principal activity of EFMSB is facilities management services.

A12. Changes in contingent liabilities

	As at 30.06.2012 RM'000	As at 30.06.2011 RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	32,887	39,064
Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries	105	126
	<u>32,992</u>	<u>39,190</u>

A13. Capital commitments

	As at 30.06.2012 RM'000	As at 30.06.2011 RM'000
Capital expenditure		
Approved and contracted for:		
Land held for property development	-	23,301
	<u>-</u>	<u>23,301</u>

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

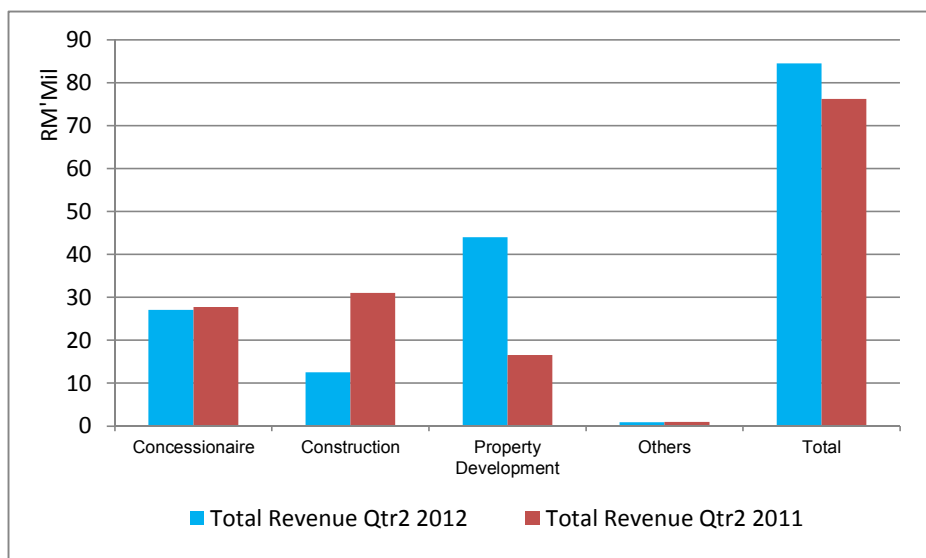
**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA**

B1. Performance review

**a) Performance of the current quarter against the preceding year corresponding quarter
(2Q12 vs. 2Q11).**

The Group's revenue for the quarter ended 30 June 2012 (2Q12) increased by RM8.28 million to RM84.54 million as compared to RM76.26 in preceding year corresponding quarter ended 30 June 2011 (2Q11). The increase in turnover was mainly due to higher progressive recognition of development projects by the Property Division.

In line with the above, the Group recorded a profit before tax ("PBT") of RM3.63 million in 2Q12 as compared to RM0.48 million for 2Q11.



Property

Revenue for property development division increased by 166% to RM44.01 million in 2Q12 from RM16.53 million recorded in 2Q11. The PBT for the division increased from RM1.91 million to RM15.99 million recorded in 2Q12. The improvement is attributable to higher progressive recognition of all development projects and the cost saving of projects from the cost rationalisation exercise carried out by the management.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

B1. Performance review (Cont'd)

**a) Performance of the current quarter against the preceding year corresponding quarter
(2Q12 vs. 2Q11) - (Cont'd)**

Construction

Revenue for construction division decreased by 60% to RM12.54 million in 2Q12 from RM31 million recorded in 2Q11. This is mainly due to the completion of Sarawak School projects in 2011 and the on going project of double track is approaching completion of which the revenue is lower. Despite the reduction in revenue, the division recorded a profit before tax of RM0.86 million in 2Q12 as compared to loss of RM0.91 million recorded in 2Q11. The improvement is mainly due to the cost savings arising from cost rationalisation exercises.

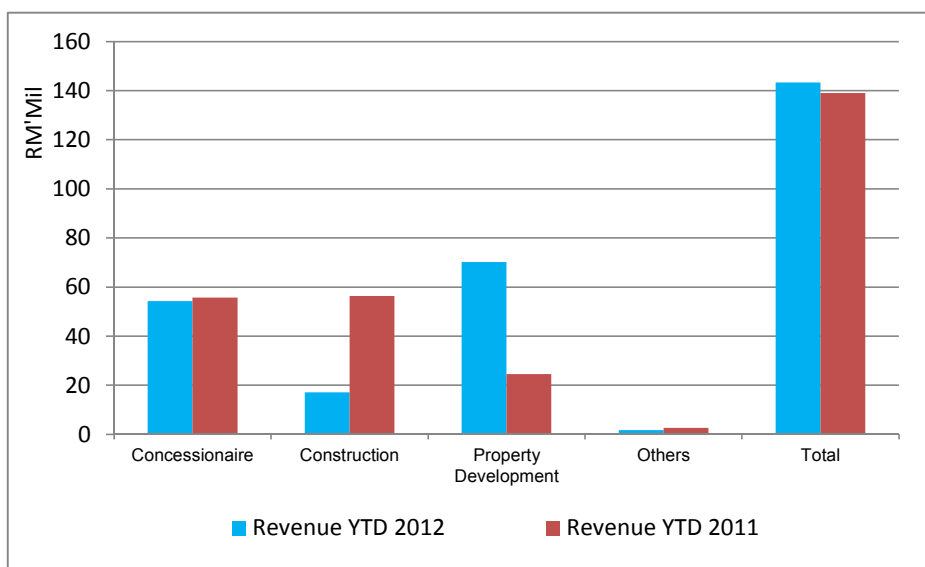
Concession

The concession division continue to provide constant stream of revenue of RM27.06 million in 2Q12 as compared to RM27.74 million in 2Q11. However, the segment has shown a loss of RM2.40 million in the current quarter as compared to a profit before tax of RM1.77 million mainly due to higher administrative and finance cost incurred for the issuance of Sukuk Murabahah and receivable written off.

b) Performance of the current financial period against the preceding year corresponding period (1H12 vs. 1H11).

For the current financial period, the Group recorded a marginal increase in revenue of RM143.32 million against RM139.07 million in the preceding year corresponding period. The increase was mainly due to higher workdone achieved by the Property Division. However the increase is offset by the reduction in Construction Division

In line with the above, the Group recorded a profit before tax ("PBT") of RM5.77 million in 1H12 as compared to RM0.13 million for 1HQ11.



ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

B1. Performance review

b) Performance of the current financial period against the preceding year corresponding period (1H12 vs. 1H11) - (Cont'd)

Property

The division posted a substantial increase in revenue and profit before tax from RM24.57 million and RM1.31 million in the preceding year corresponding period to RM70.22 and RM21.64 million in the current period respectively. The improved performance is derived from new sales and higher progress of works in the current period and the cost saving of projects from the cost rationalisation exercise carried out by the management.

Construction

The decrease in revenue from RM56.30 million recorded in 1H11 to RM17.04 million in 1H12 is mainly due to the completion of Sarawak School projects in the preceding year corresponding period and the on going project of double track is approaching completion. Despite of the lower revenue, the division recorded a profit before tax of RM0.15 million in 1H12 as compared to RM0.67 million recorded in 1H11.

Concession

The concession division continue to provide constant stream of revenue of RM54.30 million in 6M12 as compared to RM55.64 million in 6M11. Meanwhile the profit before tax has decreased from RM7.76 million in 1H11 to RM1.66 million in 1H12 is mainly due to higher administrative and finance cost incurred for the issuance of Sukuk Murabahah and receivable written off.

B2. Comparison with Immediate Preceding Quarter

The Group recorded an increase in revenue by 44% to RM84.54 million as compared to RM58.79 million registered in the preceding quarter. The Group's PBT increased by RM1.48 million or 69% to RM3.63 million in 2Q12 as compared to the PBT of RM2.14 million in the immediate preceding quarter. The higher profit in current quarter was in line with the higher revenue at Property Division with higher margin.

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

B3. Commentary on prospects

The unstable global economic outlook due to the financial crisis in the Eurozone and the economic slowdown in most of the major economies as well as the tightening of lending conditions arising from new rules by Bank Negara. In line with the above, the Group expects to have moderate performance for the financial year from its on-going residential and commercial property development projects and construction projects.

The Group has implemented various measures to increase operational efficiencies and to look at innovative concepts to enhance its development and construction projects.

Upon the completion of the Proposed ESSB Sukuk Murabahah Issue as disclosed in Note B8, the Group generated net cash proceeds of RM93 million for the purpose of working capital of the Group. However, the issuance of the said Sukuk has resulted in additional finance cost and one-off issuance related expenses of RM6.7 million for the current quarter ended 30 June 2012. The impact for financial year ending 31 December 2012 is expected to be approximately RM16.9 million.

B4. Variance from forecast profit and profit guarantee

Not applicable for the financial period ended 30 June 2012.

B5. Income tax expense

	Quarter ended		Year-to-date ended	
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM'000	RM'000	RM'000	RM'000
Income tax	(4,471)	(101)	(6,140)	(2,459)
Deferred tax	1,003	(625)	388	1,620
	<u>(3,468)</u>	<u>(726)</u>	<u>(5,752)</u>	<u>(839)</u>

Income tax is calculated at the Malaysian statutory tax rate of 25% 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.

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

B6. Disposal of unquoted investments and properties

There were no other disposal of unquoted investments and/or properties for the financial period ended 30 June 2012.

B7. Purchase or disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial period ended 30 June 2012.

B8. Status of corporate proposals

- (a) On 8 March 2012, the Company announced that Encorp Systembilt Sdn Bhd ('ESSB') has proposed to undertake the issuance of up to RM1,575 million in nominal value of Islamic securities ("Sukuk Murabahah") based on the Shariah principle of Murabahah via Tawarruq arrangement ("Proposed ESSB Sukuk Murabahah Issue"). ESSB has mandated CIMB Investment bank Berhad, Hong Leong Investment Bank Berhad and Kenanga Investment Bank Berhad as the Joint Principal Advisers and Joint Lead Managers in respect of the Proposed ESSB Sukuk Murabahah Issue. RAM Rating Services Berhad has assigned a long-term preliminary rating of AA2 with a stable outlook to the Proposed ESSB Sukuk Murabahah Issue.

On 18 May 2012, the Company announced that the ESSB Sukuk Murabahah Issue has been completed with the issuance of RM1,575 million in nominal value of the Sukuk Murabahah.

- (b) The proceeds raised from the RCSLS has been fully utilised as at the end of the financial period.

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

B9. Borrowings and debt securities

	As at 30.06.2012 RM'000
Current	
Sukuk Murabahah	37,362
Term loan	11,672
Overdraft	520
Revolving credit	13,350
Advances	6,600
Obligations under finance leases and hire purchases	447
RCSLS - liability component	<u>2,728</u>
	<u>72,679</u>
	As at 30.06.2012 RM'000
Non-current	
Sukuk Murabahah	1,148,431
Term loan	70,892
Obligations under finance leases and hire purchases	1,766
RCSLS - liability component	<u>57,349</u>
	<u>1,278,438</u>
Total Group's loans and borrowings	<u>1,351,117</u>

B10 Off balance sheet financial instruments

There were no off balance sheet financial instruments entered into by the Group as at 30 June 2012 up to the date of this report.

B11 Changes in material litigation

There is an arbitration proceeding between a subsidiary ("Subsidiary") and one of the Subsidiary's contractors ("Contractor") in respect of claims arising from the Teachers' Quarters Project undertaken by the Contractor. From the total claims submitted by the Contractor, a portion thereof has been certified and paid by the Subsidiary. The balance of the claims amounting to approximately RM5 million comprises claims due to the late delivery of the site to the Contractor, claims for extension of time and head office costs which the Subsidiary is disputing. At the same time, the Subsidiary is pursuing its counter claim against the Contractor. The hearing for the arbitration proceeding is completed. The parties are awaiting for the Arbitrator to deliver its decision.

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

B12 Dividends

The Board of Directors has on 23 May 2012, declared an interim single-tier dividend of 2 sen per ordinary share in respect of the financial year ending 31 December 2012. The dividend was paid on 4 July 2012 to the shareholders whose names appear in the Register of Members and Record of Depositors on 20 June 2012.

B13 Profit for the period

	Quarter and Year-to-date ended	
	30.06.2012	30.06.2011
	RM'000	RM'000
The profit before tax is arrived at after charging / (crediting):		
a) Interest income	(1,751)	(2,185)
b) Other income	(1,142)	(86)
c) Interest expense	53,667	50,635
d) Depreciation and amortisation	3,119	667
e) Provision for and write off of receivables	2,128	N/A
f) Provision for and write off of inventories	N/A	N/A
g) Loss/(gain) on disposal of quoted or unquoted investments or properties	-	-
h) (Gain)/loss on property, plant & equipment	-	(956)
i) Impairment of goodwill	4,155	3,140
j) Foreign exchange gain or loss	N/A	N/A
k) Gain/loss on derivatives; and	N/A	N/A
l) exceptional items	N/A	N/A

N/A denotes not applicable.

B14 Retained Earnings

	As at 30.06.2012	As at 30.06.2011
	RM'000	RM'000
Group		
Realised	379,749	155,937
Unrealised	(6,412)	(3,144)
	<u>373,337</u>	<u>152,793</u>
Consolidation adjustments	(359,500)	(160,287)
Total retained earnings / (accumulated losses)	<u>13,837</u>	<u>(7,494)</u>

ENCORP BERHAD (506836-X)
(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2012**

B15 Earnings per share

a)	Basic EPS	Quarter ended		Year-to-date ended	
		30.06.2012 RM'000	30.06.2011 RM'000	30.06.2012 RM'000	30.06.2011 RM'000
	Profit attributable to owners of the parent	(3,519)	(736)	(5,036)	(1,115)
	Weighted average number of ordinary shares in issue	218,123	218,123	218,123	218,123
	Basic EPS (sen)	(1.61)	(0.34)	(2.31)	(0.51)
b)	Diluted EPS	Quarter ended		Year-to-date ended	
		30.06.2012 RM'000	30.06.2011 RM'000	30.06.2012 RM'000	30.06.2011 RM'000
	Profit attributable to owners of the parent	(3,519)	(736)	(5,036)	(1,115)
	Effect on earnings upon conversion of RCSLS	-	1,150	-	1,150
		(3,519)	414	(5,036)	35
	Weighted average number of ordinary shares in issue	218,123	218,123	218,123	218,123
	Effect of dilution	65,706	65,706	65,706	65,706
	Adjusted weighted average number of ordinary shares in issue and issuable	283,829	283,829	283,829	283,829
	Diluted EPS (sen)	(1.24)	0.15	(1.77)	0.01

B16 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 30 August 2012.

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

Lee Lay Hong
Company Secretary

30 August 2012