



**INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR
ENDED 31 DECEMBER 2012
(UNAUDITED)**

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

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2012**

	Quarter ended		Year ended	
	31.12.2012 <i>Unaudited</i> RM'000	31.12.2011 <i>Unaudited</i> RM'000	31.12.2012 <i>Unaudited</i> RM'000	31.12.2011 <i>Audited</i> RM'000
Revenue	169,749	95,769	396,515	289,927
Cost of sales	(91,317)	(49,743)	(190,670)	(135,643)
Gross profit	78,432	46,026	205,845	154,284
Other income	4,625	5,672	9,681	10,095
Marketing and distribution	(4,259)	(7,822)	(10,518)	(11,281)
Administrative expenses	(8,809)	(4,290)	(33,459)	(27,563)
Other expenses	(4,932)	(2,805)	(14,815)	(8,786)
Finance costs	(30,639)	(29,662)	(114,988)	(104,650)
Profit before tax	34,418	7,119	41,746	12,099
Income tax expense	(9,792)	20,899	(17,389)	17,864
Profit net of tax	24,626	28,018	24,357	29,963
Other comprehensive income, net of tax				
Foreign currency translation	471	26	505	26
Total comprehensive income for the period	25,097	28,044	24,862	29,989
Profit attributable to:				
Owners of the parent	14,692	24,362	6,909	24,569
Non-controlling interest	9,934	3,656	17,448	5,394
	24,626	28,018	24,357	29,963
Total comprehensive income attributable to:				
Owners of the parent	15,163	24,388	7,414	24,595
Non-controlling interest	9,934	3,656	17,448	5,394
	25,097	28,044	24,862	29,989
Earning per share attributable to owner of the parent (sen)				
Basic EPS	6.74	11.17	3.17	11.26
Diluted EPS	6.74	9.75	3.17	10.10

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)
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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	As at 31.12.2012 <i>Unaudited</i> RM'000	As at 31.12.2011 <i>Audited</i> RM'000
Assets		
Non-current assets		
Property, plant and equipment	21,585	12,222
Intangible assets	100,798	111,059
Land held for property development	50,711	32,062
Trade receivables	1,020,020	1,063,117
Deferred tax assets	3,240	1,653
	<u>1,196,354</u>	<u>1,220,113</u>
Current assets		
Property development cost	299,261	223,092
Inventories	44,978	44,615
Tax recoverable	472	514
Trade and other receivables	154,569	130,576
Short term investment	242,996	118,074
Cash and bank balances	64,101	30,927
	<u>806,377</u>	<u>547,798</u>
Total assets	<u>2,002,731</u>	<u>1,767,911</u>

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**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012 (contd.)**

	As at 31.12.2012 <i>Unaudited</i> RM'000	As at 31.12.2011 <i>Audited</i> RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	150,186	118,691
Loans and borrowings	160,167	97,575
Income tax payables	5,289	1,943
	<u>315,642</u>	<u>218,209</u>
Non-current liabilities		
Trade payables	23,825	30,308
Loans and borrowings	1,255,492	1,131,144
Deferred tax liabilities	7,474	8,452
	<u>1,286,791</u>	<u>1,169,904</u>
Total liabilities	<u>1,602,433</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 reserves	7,801	7,296
Retained profit	21,421	18,874
	<u>350,607</u>	<u>347,555</u>
Non-controlling interest	49,691	32,243
Total equity	<u>400,298</u>	<u>379,798</u>
Total equity and liabilities	<u>2,002,731</u>	<u>1,767,911</u>
Net assets per share attributable to owner of the parents (RM)	<u>1.61</u>	<u>1.59</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 ENDED 31 DECEMBER 2012**

RM'000	← Non-distributable				→ Distributable			Total equity			
	Share capital	Share premium	Treasury shares	Warrants reserves	Equity component of RCLS	Foreign currency translation reserve	Other reserves		(Accumulated losses)	Total	Non-controlling interest
At 1 January 2012	223,509	102,435	(4,559)	4,681	874	1,741	7,296	18,874	347,555	32,243	379,798
Total comprehensive income for the period	-	-	-	-	-	505	505	6,909	7,414	17,448	24,862
Transaction with owners:											
Dividend paid	-	-	-	-	-	-	-	(4,362)	(4,362)	-	(4,362)
At 31 December 2012	223,509	102,435	(4,559)	4,681	874	2,246	7,801	21,421	350,607	49,691	400,298
At 1 January 2011	223,509	104,574	(4,559)	-	-	1,715	1,715	(5,695)	319,544	26,724	346,268
Total comprehensive income for the period	-	-	-	-	-	26	26	24,569	24,595	5,394	29,989
Transaction with owners:											
Issuance of RCLS	-	(2,139)	-	4,681	874	-	5,555	-	5,555	-	5,555
Right issue expense	-	-	-	-	-	-	-	-	(2,139)	-	(2,139)
Non-controlling interest arising from acquisition of subsidiaries	-	(2,139)	-	-	-	-	-	-	-	125	125
At 31 December 2011	223,509	102,435	(4,559)	4,681	874	1,741	7,296	18,874	347,555	32,243	379,798

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.

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012**

	Year ended	
	31.12.2012 <i>Unaudited</i> RM'000	31.12.2011 <i>Audited</i> RM'000
Cash flows from operating activities		
Profit before taxation	41,746	12,099
Adjustments:		
Depreciation	1,762	1,174
Amortisation of intangible assets	367	352
Impairment of goodwill on consolidation	9,922	7,260
Bad debts written off	2,764	-
Net gain on disposal of property, plant and equipment	(122)	(9)
Gain on disposal of short term investment	(1,118)	337
Interest expenses	114,988	104,650
Distribution income from Fixed Maturity Fund	(3,894)	(3,929)
Interest income	(1,057)	(790)
Reversal of provision for tax penalty	-	(1,884)
Write off of property, plant and equipment	212	18
Gain on disposal of non-current asset held for sale	-	(959)
Provision for liquidated ascertained damages	-	(65)
Finance income - other liabilities at amortised costs	(1,487)	(2,333)
Operating profit before working capital changes	164,083	115,921
Changes in working capital:		
Net changes in current assets	(2,676)	45,585
Net changes in current liabilities	26,501	(56,974)
Net changes in property development cost	(76,169)	(48,539)
Cash generated from operations	111,739	55,993
Income tax (paid) / recoverable	(16,566)	2,105
Interest paid	(2,137)	(1,728)
Net cash generated from operating activities	93,036	56,370
Cash flows from investing activities		
Interest received	1,057	790
Proceeds from disposal of property, plant and equipment	264	3,658
Purchase of property, plant and equipment	(11,478)	(5,262)
Purchase of intangible assets	(27)	(92)
Net cash inflow from acquisition of subsidiaries	-	125
Distribution income received	3,894	3,929
Investment in short term funds	(123,804)	(22,594)
Net cash generated used in investing activities	(130,094)	(19,446)

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**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2012 (contd.)**

	Year ended	
	31.12.2012 <i>Unaudited</i> RM'000	31.12.2011 <i>Audited</i> RM'000
Cash flows from financing activities		
Redemption of ABBA Notes	(1,135,581)	(128,000)
Proceeds from SUKUK	1,134,959	-
Proceeds from RCCLS	-	65,706
Dividend paid	(4,362)	-
Payment of RCCLS Coupon	(3,942)	(2,957)
Issuance of RCCLS expenses	-	(2,140)
Placement of deposits pledged	1,018	9,632
Proceeds from/(repayment of) loans and borrowings	76,708	22,872
Net repayment of finance lease payable	(800)	(769)
Net proceeds from /(repayment of) hire purchase payable	2,576	(183)
Net cash generate from /(used in) financing activities	70,576	(35,839)
Net increase in cash and cash equivalents	33,518	1,085
Effect of exchange rate changes	505	27
Cash and cash equivalents at beginning of period	11,891	10,779
Cash and cash equivalents at end of period	45,914	11,891
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	109	5,440
- Licensed corporation	15,246	594
Cash and bank balances	48,746	24,893
Bank overdrafts	(520)	(351)
	63,581	30,576
Less: Bank balances and deposits pledged / designated	(17,667)	(18,685)
Cash and cash equivalents at end of period	45,914	11,891

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.

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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 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 31 December 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, Encorp Systembilt Sdn Bhd ("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 during the second quarter of 2012 with the proceeds from the issuance of Sukuk Murabahah.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2012**

A6. Debt and equity securities (contd.)

b) Issuance of Sukuk Murabahah

ESSB has on 18 May 2012, issued Sukuk Murabahah with a total nominal value of RM1,575 million to finance the redemption of all 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 of the Sukuk Murabahah is redeemable semi-annually. The redemption of the first tranche will commence 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.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2012**

A8. Segmental information

The Group's segment revenue and results are presented by industry segments for the year-to-date ended 31 December 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	-	107,888	55,857	228,542	4,228	-	396,515
Inter-segment	186,316	-	137,338	9,637	8,764	(342,055)	-
Total Revenue	186,316	107,888	193,195	238,179	12,992	(342,055)	396,515
Results:							
Segment results	(7,634)	101,758	2,863	68,507	(1,661)	-	163,833
Interest income	470	3,891	70	512	8	-	4,951
Interest expense	(6,032)	(107,570)	(56)	(1,322)	(8)	-	(114,988)
Depreciation and amortisation	(1,375)	-	(482)	(101)	(170)	-	(2,128)
Impairment of goodwill on consolidation	-	(5,005)	-	(4,917)	-	-	(9,922)
Profit / (Loss) before tax	(14,571)	(6,926)	2,395	62,679	(1,831)	-	41,746

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 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 year ended 31 December 2012.

A10. Material events subsequent to the balance sheet date

There were no material events subsequent to the financial year ended 31 December 2012 up to the date of this report.

A11. Changes in the composition of the Group

There were no changes in the composition of the Group during the financial year ended 31 December 2012 except for the followings:

- (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 31.12.2012 RM'000	As at 31.12.2011 RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	60,643	39,085
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	2,380	-
Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries	490	136
	<u>63,513</u>	<u>39,221</u>

A13. Capital commitments

	As at 31.12.2012 RM'000	As at 31.12.2011 RM'000
Capital expenditure		
Approved and contracted for:		
Land held for property development	-	23,301
	<u>-</u>	<u>23,301</u>

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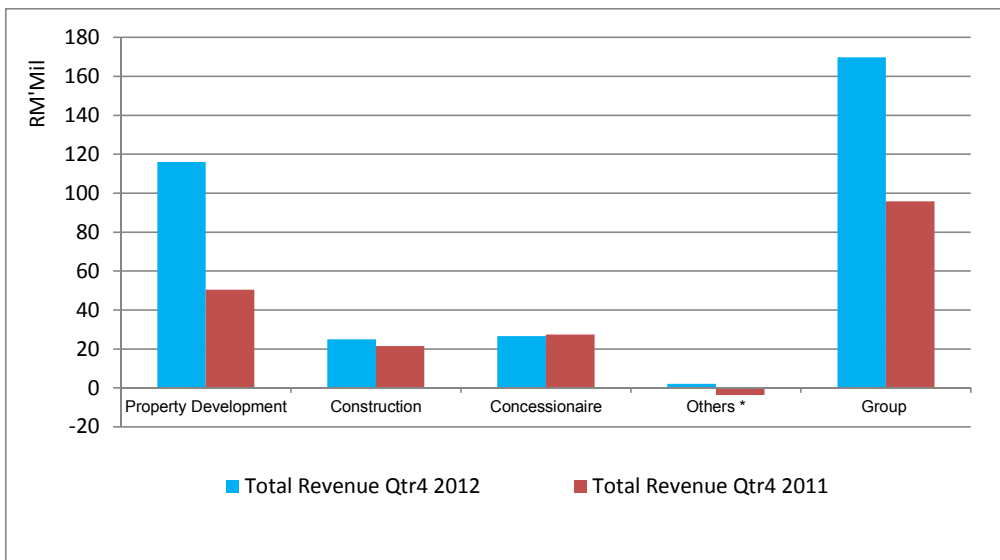
**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA**

B1. Performance review

**a) Performance of the current quarter against the preceding year corresponding quarter
(4Q12 vs. 4Q11).**

The Group's revenue for the quarter ended 31 December 2012 (4Q12) increased by RM73.98 million to RM169.75 million as compared to RM95.77 million in preceding year corresponding quarter ended 31 December 2011 (4Q11). The increase in revenue was mainly due to higher progress of works achieved by the Property Division and Construction Division.

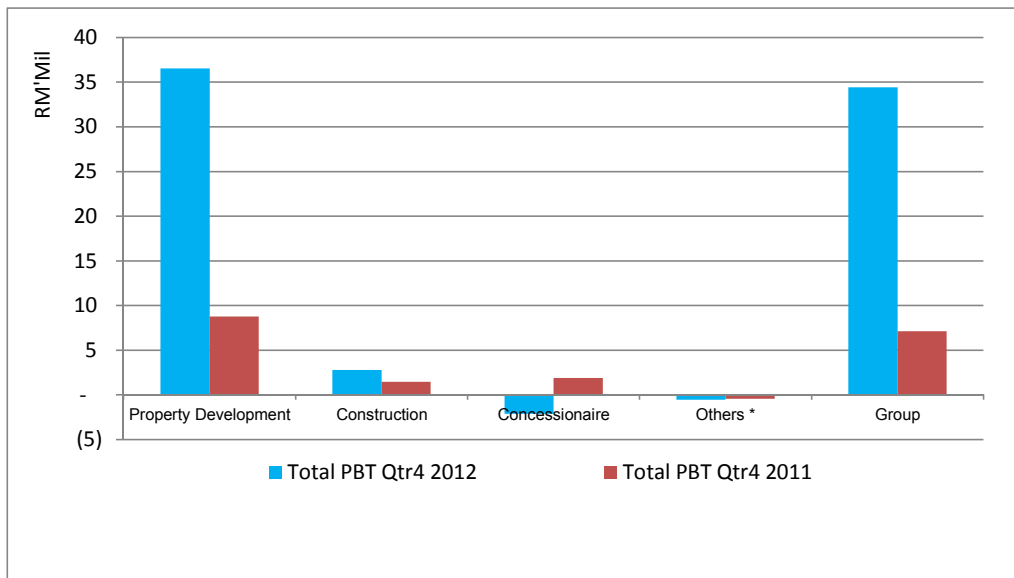
Accordingly, the Group recorded a higher profit before tax ("PBT") of RM34.42 million in 4Q12 as compared to RM7.12 million for 4Q11.



**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2012**

B1. Performance review

**a) Performance of the current quarter against the preceding year corresponding quarter
(4Q12 vs. 4Q11) - (Cont'd)**



Property

Revenue for property development division increased by RM65.46 million or 130% to RM115.99 million in 4Q12 from RM50.53 million recorded in 4Q11. The PBT for the division increased from RM8.79 million in 4Q11 to RM36.55 million in 4Q12. The increase was mainly due to higher workdone achieved for all on going development projects and the cost saving from the cost rationalisation exercise carried out by the management.

Construction

Revenue for construction division increased by RM3.42 million or 16% to RM24.94 million in 4Q12 from RM21.52 million recorded in 4Q11. This is mainly due to higher works progress achieved for all on going projects and new project undertaken during the current quarter. Accordingly, the division recorded a profit before tax of RM2.79 million in 4Q12 as compared to a profit of RM1.47 million recorded in 4Q11.

Concession

The concession division continue to provide constant stream of revenue of RM26.70 million in 4Q12 as compared to RM27.41 million in 4Q11. However, the segment has shown a loss of RM2.13 million in the current quarter as compared to a profit before tax of RM1.90 million mainly due to higher finance cost incurred for the Sukuk Murabahah.

Others

Revenue and losses from other operation segment consist mainly of trading activities, sales of food and beverage and facilities management services rendered.

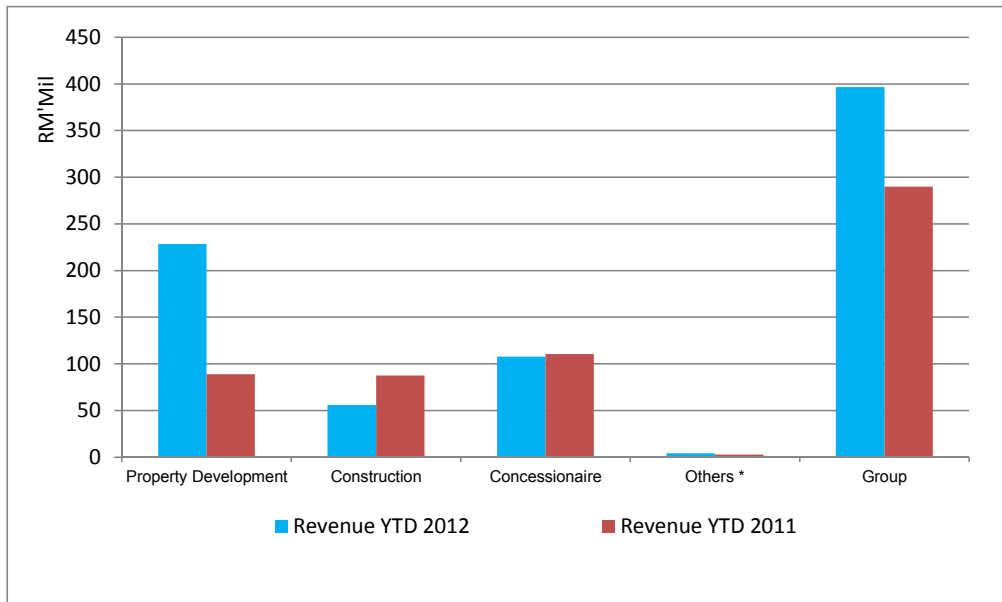
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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B1. Performance review

b) Performance of the current financial period against the preceding year corresponding period (12M12 vs. 12M11).

The Group's revenue for the year ended 31 December 2012 (12M12) increased by RM106.59 million to RM396.52 million as compared to RM289.93 in preceding year corresponding year ended 31 December 2011 (12M11). The increase was mainly due to higher progress of works achieved by the Property Division. However the increase is partly offset by the reduction in revenue of the Construction Division.

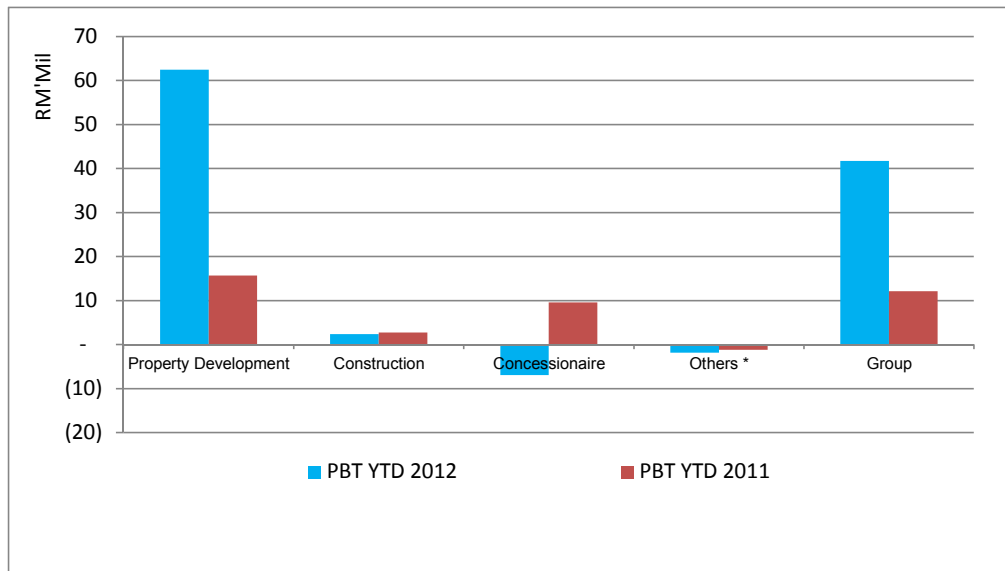
In line with the above, the Group recorded a profit before tax ("PBT") of RM41.74 million in 12M12 as compared to RM12.10 million for 12M11.



**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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B1. Performance review

b) Performance of the current financial period against the preceding year corresponding period (12M12 vs. 12M11) - (Cont'd)



Property

The division recorded a substantial increase in both revenue and profit before tax from RM89.05 million and RM15.71 million respectively in 12M11 to RM228.54 and RM62.68 million respectively in 12M12. The improvement in the performance is mainly due to new sales of the projects and better progress of works in the current period as well as the cost saving of projects from the cost rationalisation exercise carried out by the management.

Construction

The revenue decreased from RM87.49 million in 12M11 to RM55.86 million in 12M12. This is mainly due to the completion of Sarawak School projects in 12M11 and the on going electrified double track railway station project which is approaching completion. In line with the decrease in revenue, the division recorded a profit of RM2.40 million in 12M12 as compared to profit before tax of RM2.71 million in 12M11.

Concession

The concession division continue to provide constant stream of revenue of RM107.89 million in 12M12 as compared to RM110.62 million in 12M11. The profit before tax has decreased from RM9.61 million in 12M11 to loss of RM6.92 million in 12M12 mainly due to higher administrative and finance cost incurred resulted from the issuance of Sukuk Murabahah and writing off of a receivable amount.

Others

There were no material changes for the revenue and losses from other operation segment in the current period as compared to preceding year corresponding period.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
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B2. Comparison with Immediate Preceding Quarter

The Group's revenue increased by RM86.30 million or 103% to RM169.75 million as compared to RM83.44 million registered in the preceding quarter. The Group's PBT increased substantially by RM32.86 million to RM34.42 million in 4Q12 as compared to the PBT of RM1.56 million in 3Q12. The increase was mainly due to higher progress of works achieved and the cost saving from the cost rationalisation by the Property Division.

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 will affect the group performance. In line with the above, the Group expects to have moderate performance for the next 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 pursue innovative concepts to enhance its development and construction projects.

Upon the completion of the 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 RM16.90 million for the year ended 31 December 2012.

B4. Variance from forecast profit and profit guarantee

Not applicable for the financial year ended 31 December 2012.

B5. Income tax expense

	Quarter ended		Year ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
Income tax	(11,225)	27,377	(19,954)	22,534
Deferred tax	1,433	(6,478)	2,565	(4,670)
	<u>(9,792)</u>	<u>20,899</u>	<u>(17,389)</u>	<u>17,864</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, and losses of certain subsidiaries which cannot be set off against taxable profits made by other subsidiaries.

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B6. Disposal of unquoted investments and properties

There were no other disposal of unquoted investments and/or properties for the financial year ended 31 December 2012.

B7. Purchase or disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial year ended 31 December 2012.

B8. Status of corporate proposals

There were no pending corporate proposals during the financial year ended 31 December 2012 except for the followings:

- (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 since the last quarter ended 30 June 2012.

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B9. Borrowings and debt securities

	As at 31.12.2012 RM'000
Current	
Sukuk Murabahah	127,137
Term loan	24,974
Overdraft	520
Revolving credit	1,800
Advances	4,600
Obligations under finance leases and hire purchases	217
RCSLS - liability component	919
	<u>160,167</u>
	As at 31.12.2012 RM'000
Non-current	
Sukuk Murabahah	1,078,945
Term loan	112,558
Obligations under finance leases and hire purchases	4,134
RCSLS - liability component	59,855
	<u>1,255,492</u>
Total Group's loans and borrowings	<u>1,415,659</u>

B10 Off balance sheet financial instruments

There were no off balance sheet financial instruments entered into by the Group as at 31 December 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.

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B12 Dividends

The Board of Directors has recommended a single tier final dividend of 2 sen per ordinary share in respect of the financial year ended 31 December 2012, subject to the approval of the shareholders at the Company's forthcoming Annual General Meeting.

B13 Profit for the period

	Quarter and Year ended	
	31.12.2012	31.12.2011
	RM'000	RM'000
The profit before tax is arrived at after charging / (crediting):		
a) Interest income	(4,951)	(4,313)
b) Other income	(4,608)	(5,773)
c) Interest expense	114,988	104,650
d) Depreciation and amortisation	2,128	1,526
e) Provision for and write off of receivables	2,764	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	N/A	N/A
h) (Gain)/loss on property, plant & equipment	(122)	(9)
i) Impairment of goodwill	9,922	7,260
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 31.12.2012	As at 31.12.2011
	RM'000	RM'000
Group		
Realised	399,124	197,302
Unrealised	2,565	(4,670)
	<u>401,689</u>	<u>192,632</u>
Consolidation adjustments	(380,268)	(173,758)
Total retained earnings	<u>21,421</u>	<u>18,874</u>

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B15 Earnings per share ("EPS")

a) Basic EPS

	Quarter ended		Year ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
(Loss)/profit attributable to owners of the parent	14,692	24,362	6,909	24,569
Weighted average number of ordinary shares in issue	218,123	218,123	218,123	218,123
Basic EPS (sen)	6.74	11.17	3.17	11.26

b) Diluted EPS

	Quarter ended		Year ended	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit attributable to owners of the parent	14,692	24,362	6,909	24,569
Effect on earnings upon conversion of RCCLS	-	3,299	-	4,092
	14,692	27,661	6,909	28,661
Weighted average number of ordinary shares in issue	218,123	218,123	218,123	218,123
Effect of dilution	-	65,706	-	65,706
Adjusted weighted average number of ordinary shares in issue and issuable	218,123	283,829	218,123	283,829
Diluted EPS (sen)	6.74	9.75	3.17	10.10

The potential dilutive instruments of Redeemable Convertible Secured Loan Stocks of 65,706,060 and Detachable Warrants of 32,853,030 have not been included in the calculation of the Diluted EPS as they are antidilutive for the current quarter under review.

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 27 February 2013.

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

Lee Lay Hong
Company Secretary

27 February 2013