



ENCORP BERHAD (506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE
ENDED 30 SEPTEMBER 2014**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

	Quarter ended		Year-to-date ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Revenue	56,253	168,601	268,680	402,326
Cost of sales	(27,573)	(101,141)	(143,262)	(222,650)
Gross profit	28,680	67,460	125,418	179,676
Other income	2,134	1,381	12,692	6,006
Marketing and distribution expenses	(761)	(13,694)	(5,494)	(25,229)
Administrative expenses	(9,485)	(8,071)	(30,011)	(25,859)
Other expenses	(1,077)	(2,989)	(3,071)	(8,820)
Finance costs	(29,513)	(29,242)	(87,456)	(87,414)
Profit/(loss) before tax	(10,022)	14,845	12,078	38,360
Income tax expense	392	(4,446)	(8,265)	(13,180)
Profit/(loss) net of tax	(9,630)	10,399	3,813	25,180
Other comprehensive income, net of tax				
Foreign currency translation	(1,279)	(1,490)	(1,003)	(1,965)
Total comprehensive income for the year	(10,909)	8,909	2,810	23,215
Profit/(loss) attributable to:				
Owners of the parent	(7,436)	8,005	1,417	14,422
Non-controlling interest	(2,194)	2,394	2,396	10,758
	(9,630)	10,399	3,813	25,180
Total comprehensive income attributable to:				
Owners of the parent	(8,715)	6,515	414	12,457
Non-controlling interest	(2,194)	2,394	2,396	10,758
	(10,909)	8,909	2,810	23,215
Profit per share attributable to owner of the parent (sen)				
Basic	(2.67)	3.66	0.59	6.60
Diluted	N/A	3.39	N/A	5.83

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 2013 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014**

	As at 30.09.2014 RM'000	As at 31.12.2013 RM'000
Assets		
Non-current assets		
Property, plant and equipment	33,873	29,787
Intangible assets	24,945	25,165
Land held for property development	45,830	46,712
Completed investment property	301,175	103,300
Investment property under construction	-	177,096
Trade receivables	993,913	998,292
Deferred tax assets	7,632	7,550
	<u>1,407,368</u>	<u>1,387,902</u>
Current assets		
Property development costs	146,415	157,976
Inventories	1,502	1,525
Tax recoverable	3,288	1,394
Trade and other receivables	91,425	146,602
Other current assets	232,986	153,485
Investment security	139,991	115,808
Cash and bank balances	48,144	79,805
	<u>663,751</u>	<u>656,595</u>
Total assets	<u>2,071,119</u>	<u>2,044,497</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014 (contd.)**

	As at 30.09.2014 RM'000	As at 31.12.2013 RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	143,793	178,536
Other current liabilities	66,616	11,255
Loans and borrowings	258,450	145,370
Income tax payables	440	9,727
	<u>469,299</u>	<u>344,888</u>
Non-current liabilities		
Trade payables	33,314	33,314
Loans and borrowings	1,099,597	1,251,084
Deferred tax liabilities	4,200	2,843
	<u>1,137,111</u>	<u>1,287,241</u>
Total liabilities	<u>1,606,410</u>	<u>1,632,129</u>
Equity attributable to owners of parent		
Share capital	278,645	224,856
Treasury shares	(4,559)	(4,559)
Share premium	106,378	102,440
Other reserves	1,590	2,593
Retained profit	(3,333)	3,446
	<u>378,721</u>	<u>328,776</u>
Non-controlling interest	85,988	83,592
Total equity	<u>464,709</u>	<u>412,368</u>
Total equity and liabilities	<u>2,071,119</u>	<u>2,044,497</u>
 Net assets per share attributable to owner of the parents (RM)	 <u>1.57</u>	 <u>1.50</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

RM'000	← Non-distributable →						Distributable				
	Share capital	Share premium	Treasury shares	Warrants reserves	Equity component of RCSLS	Foreign currency translation reserve	Other reserves, total	Retained Profit	Total	Non-controlling interest	Total equity
At 1 January 2014	224,856	102,440	(4,559)	3,640	-	(1,047)	2,593	3,446	328,776	83,592	412,368
Total comprehensive income for the period	-	-	-	-	-	(1,003)	(1,003)	1,417	414	2,396	2,810
Transaction with owners:											
Dividend paid	-	-	-	-	-	-	-	(8,196)	(8,196)	-	(8,196)
Issuance of ordinary shares: - Conversion of RCSLS	53,789	3,938	-	-	-	-	-	-	57,727	-	57,727
At 30 September 2014	278,645	106,378	(4,559)	3,640	-	(2,050)	1,590	(3,333)	378,721	85,988	464,709
At 1 January 2013											
As previously stated	223,509	102,435	(4,559)	4,681	874	2,247	7,802	21,590	350,777	49,815	400,592
Prior year adjustment	-	-	-	(1,041)	(874)	-	(1,915)	(75,278)	(77,193)	-	(77,193)
As restated	223,509	102,435	(4,559)	3,640	-	2,247	5,887	(53,688)	273,584	49,815	323,399
Total comprehensive income for the period (restated)	-	-	-	-	-	(1,965)	(1,965)	14,422	12,457	10,758	23,215
Transaction with owners:											
Dividend paid	-	-	-	-	-	-	-	(4,362)	(4,362)	-	(4,362)
Issuance of ordinary shares: - Conversion of RCSLS	677	(40)	-	-	-	-	-	-	637	-	637
At 30 September 2013 (restated)	224,186	102,395	(4,559)	3,640	-	282	3,922	(43,628)	282,316	60,573	342,889

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2013 and the accompanying explanatory notes attached to the interim financial statements.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

	Year-to-date ended	
	30.09.2014 RM'000	30.09.2013 RM'000
Cash flows from operating activities		
Profit before taxation	12,078	38,360
Adjustments:		
Depreciation	2,841	1,533
Amortisation of intangible assets	230	248
Impairment of goodwill on consolidation	-	7,039
Loss on disposal of property, plant and equipment	-	838
Gain on disposal of intangible assets	-	(62)
Gain on disposal of investment security	(186)	(2,041)
Interest expenses	87,456	87,414
Distribution income from money market investment security	(2,794)	(2,312)
Interest income	(1,096)	(872)
Fair value gain from investment properties	(7,340)	-
Operating profit before working capital changes	91,189	130,145
Changes in working capital:		
Net changes in current assets	(19,884)	(231,152)
Net changes in current liabilities	20,618	(2,526)
Net changes in property development cost	12,443	152,145
Cash generated from operations	104,366	48,612
Income tax paid	(18,171)	(15,539)
Interest paid	(5,055)	(1,690)
Net cash generated from operating activities	81,140	31,383
Cash flows from investing activities		
Interest received	1,096	872
Purchase of property, plant and equipment	(6,927)	(3,497)
Purchase of intangible assets	(10)	(290)
Proceeds from disposal of intangible assets	-	426
Additional cost incurred for investment property	(20,779)	
Distribution income received	2,794	2,312
(Increase)/Decrease in investment security	(24,183)	92,859
Net cash generated from investing activities	(48,009)	92,682

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR-TO-DATE ENDED 30 SEPTEMBER 2014 (contd.)**

	Year-to-date ended	
	30.09.2014	30.09.2013
	RM'000	RM'000
Cash flows from financing activities		
Dividend paid to:		
shareholders of the Company	-	(4,362)
Payment of RCSLS Coupon	(1,925)	(3,625)
Conversion of RCSLS	-	677
Repayment of SUKUK	(83,807)	(171,717)
Placement of deposits pledged	(8,881)	(41,087)
Net proceeds from loans and borrowings	29,102	76,806
Net proceeds from finance lease payable	1,558	568
Net cash used in from financing activities	(63,953)	(142,740)
Net decrease in cash and cash equivalents	(30,822)	(18,675)
Effect of exchange rate changes	(401)	(1,965)
Cash and cash equivalents at beginning of period	66,741	56,247
Cash and cash equivalents at end of period	35,518	35,607
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	84	112
- Licensed corporation	9,624	14,623
Cash and bank balances	44,459	66,666
Bank overdrafts	(6,023)	(520)
	48,144	80,881
Less: Bank balances and deposits pledged / designated	(12,626)	(45,274)
Cash and cash equivalents at end of period	35,518	35,607

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2013 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-TO-DATE ENDED 30 SEPTEMBER 2014**

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 2013. 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 2013.

A2. Significant accounting policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, 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 2014.

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

On 1 January 2014, the Group adopted the following FRSs, Amendments to FRSs and IC Interpretations:-

Amendments to FRS 132	Offsetting Financial Assets and Financial Liabilities
Amendments to FRS 10, FRS 12 and FRS 127	Investment Entities
Amendments to FRS 136	Impairment of Assets - Recoverable Amount Disclosure for Non-Financial Assets

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
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

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 and IC Interpretation 15 Agreements for Construction of Real Estate, 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 2013. Subsequently on 30 June 2012 and 7 August 2013, MASB has granted extension to Transitioning Entities to adoption of the MFRS Framework until annual periods beginning on or after 1 January 2015.

On 2 September 2014, MASB has announced that Transitioning Entities shall be required to apply MFRS Framework for annual periods beginning on or after 1 January 2017.

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 2015.

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 119	Defined Benefit Plans : Employee Contributions	1 July 2014
Annual Improvements to FRSs	2010-2012 Cycle	1 July 2014
Annual Improvements to FRSs	2011-2013 Cycle	1 July 2014
FRS 9	Financial Instruments (IFRS 9 issued by IASB in November 2009)	To be announced
FRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2009)	To be announced

A3. Auditors' Report on Preceding Annual Financial Statements

The Group's latest audited financial statements for the financial year ended 31 December 2013 were not subject to any qualification.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

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 ended 30 September 2014.

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 September 2014 except for the following:

a) Treasury shares

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

b) Repayment of Sukuk Murabahah

Encorp Systembilt Sdn Bhd's ("ESSB") Sukuk Murabahah	RM'000 50,000
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The next repayment of Sukuk Murabahah is scheduled in November 2014.

The Sukuk Murabahah was issued by a subsidiary company, ESSB to refinance all of the amount outstanding under ABBA Notes and to fund the Trustee' Reimbursement Account. The Sukuk Murabahah is 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 Sukuk Murabahah raised do not have any financial recourse to the Group.

c) Conversion of Redeemable Convertible Secured Loan Stock ("RCSLS")

During the financial period ended 30 September 2014, the issued and paid-up capital of the Company has been increased from RM224,855,436 to RM278,644,716 by way of issuance of 53,789,280 ordinary shares of RM1.00 each pursuant to the conversion of 53,789,080 units of RCSLS at the conversion price of RM1.00 each and exercise of 200 units of Warrant at exercise price of RM1.00 each.

A7. Dividend paid

During the financial period ended 30 September 2014, a final dividend of 3 sen per ordinary share of RM1.00 each for the financial year ended 31 December 2013 was paid on 10 July 2014.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

A8. Segmental information

The Group's segment revenue and results are presented by industry segments for the year-to-date ended 30 September 2014 as follows: -

	Investment holding RM'000	Concessionaire RM'000	Construction RM'000	Property development RM'000	Investment property RM'000	Others* RM'000	Eliminations RM'000	Consolidated RM'000
Revenue								
External customers	-	76,477	61,483	126,409	3,358	953	-	268,680
Inter-segment	15,774	-	31,791	496	1,415	2,435	(51,911)	-
Total Revenue	15,774	76,477	93,274	126,905	4,773	3,388	(51,911)	268,680
Results:								
Segment results	(14,074)	76,046	2,146	33,518	1,348	(455)	-	98,529
Interest income	172	3,020	12	872	-	-	-	4,076
Interest expense	(5,636)	(76,194)	(734)	(1,054)	(3,777)	(61)	-	(87,456)
Depreciation and amortisation	(1,072)	-	(1,694)	(100)	(76)	(129)	-	(3,071)
Profit / (Loss) before tax	(20,610)	2,872	(270)	33,236	(2,505)	(645)	-	12,078

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A9. Material events subsequent to the balance sheet date

There were no material events subsequent to the financial period ended 30 September 2014 up to the date of this report except for :

a) Unconditional Mandatory Take-Over Offer by Felda Investment Corporation Sdn Bhd ("FIC").

On 29 May 2014, The Board of Directors of the Company ("Board") received a Notice of Mandatory Take-Over Offer ("Notice") from Maybank Investment Bank Berhad, on behalf of FIC, in accordance with Section 9(1)(a), Part III of the Malaysian Code on Take-Overs and Mergers, 2010 ("Code") to acquire the following:

(i) all the remaining voting shares of the Company not already held by FIC and the person acting in concert with it ("PAC") and such number of new shares of the Company that may be issued pursuant to the exercise of any outstanding Warrants and/or conversion of outstanding RCSLS prior to the close of the mandatory take-over offer ;

(ii) all the remaining Warrants not already held by FIC and the PAC ; and

(iii) all the remaining RCSLS not already held by FIC and the PAC.

(Collectively known as "the Offer")

On 10 July 2014, the Company has received a press notice from Maybank Investment Bank Berhad, on behalf of FIC ("Press Notice"), informing that the Offer has closed at 5.00 p.m. (Malaysian time) on 10 July 2014 ("Closing Date").

As set out in the Press Notice, as at 5.00 p.m. (Malaysian time) on the closing date, based on valid acceptances, FIC and the PAC collectively hold 197,484,026 shares of the Company, representing approximately 72.29% of the Voting Shares as at 10 July 2014, 18,903,455 Warrants and 8,695,400 RCSLS.

As stated in Section 5 of the Offer Document, since FIC has received acceptances under the Offer resulting in FIC and the PAC collectively holding less than 75% of the listed shares of the Company (excluding all the treasury shares held by the Company), FIC intends to maintain the listing status of the Company.

A10. Changes in the composition of the Group

There were no changes in the composition of the Group during the financial period ended 30 September 2014.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A11. Changes in contingent liabilities

	As at 30.09.2014 RM'000	As at 31.12.2013 RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	157,566	95,764
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	7,549	3,542
Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries	6,448	1,335
	<u>171,563</u>	<u>100,641</u>

A12. Capital commitments

There were no capital commitments for the purchase of property, plant and equipment not provided for in the interim financial report as at the end of the financial period.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

**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
(3Q14 vs. 3Q13).**

The Group's revenue for the quarter ended 30 September 2014 (3Q14) decreased by RM112.35 million or 66% to RM56.25 million as compared to RM168.60 million in corresponding quarter ended 30 September 2013 (3Q13).

The Group recorded a loss before tax of RM10.02 million in 3Q14 as compared to profit before tax of RM14.85 million in 3Q13. The decrease in revenue and the profit of the Group is mainly due to lower sales achieved by the Property Division resulted from the softer property market.

Property

The Property Development recorded lower revenue of RM11.96 million in 3Q14 from RM136.07 million recorded in 3Q13 and the profit before tax for the division decreased to RM4.20 million in 3Q14 as compared to RM21.99 million in 3Q13. This is resulted from the lower sales achieved due to softer property market conditions.

Construction

Revenue from external construction contract increased by RM11.49 million or 209% to RM16.99 million in 3Q14 from RM5.50 million recorded in 3Q13. This is mainly due to progress of works completed for projects obtained and commenced in 2H13. The division achieved a profit before tax of RM0.55 million in 3Q14 as compared to a loss before tax of RM.88 million in 3Q13.

Concession

The concession division recorded revenue of RM25.26 million in 3Q14 (3Q13 : RM26.12 million). The result of the division improved from a loss before tax of RM0.49 million in 3Q13 to profit before tax of RM1.27 million in 3Q14 due to higher finance cost incurred for the Sukuk Murabahah in the preceding year quarter.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

B1. Performance review (cont'd)

b) Performance of the current financial period against the preceding year corresponding period (9M14 vs. 9M13).

For the current financial period end 30 September 2014 (9M14), the Group's revenue decreased by RM133.64 million or 33% to RM268.68 million as compared to RM402.33 million in corresponding period ended 30 September 2013 (9M13).

The Group recorded a lower profit before tax of RM12.08 million in 9M14 as compared to RM38.36 million for 9M13. The decrease in revenue and profit is due to lower sales achieved by the Property Division resulted from the softer property market.

Property

The revenue of property division decreased from RM295.71 million in the preceding year corresponding period to RM126.41 million in the current period. The decrease was mainly due to lower sales achieved resulted from the softer market conditions. Accordingly, the profit before tax for the division also decreased to RM33.24 million from RM59.37 million.

Construction

The revenue from external construction contracts increased by RM39.69 million or 182% to RM61.48 million in 9M14 from RM21.80 million in 9M13 due to work progress of the new projects obtained during preceding financial year. Despite of the higher revenue, the division recorded a loss of RM0.27 million in 9M14 as compared to a profit before tax of RM0.80 million in 9M13 due to addition depreciation and finance cost incurred during the financial period arising from the newly purchased plant & machinery and motor vehicle by way of hire purchase facilities.

Concession

The concession division recorded revenue of RM76.48 million in 9M14 (9M13 : RM78.95 million). The result of the division improved from loss before tax of RM0.43 million in 9M13 to RM2.87 million in 9M14 due to higher finance cost incurred for the Sukuk Murabahah issued in the preceding year.

B2. Comparison with Immediate Preceding Quarter

The Group's revenue decreased by RM62.89 million or 53% to RM56.25 million as compared to RM119.14 million registered in the preceding quarter and recorded a loss before tax of RM9.6 million. The decrease is mainly due to lower sales achieved by the Property Division during the current quarter.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 2014**

B3. Commentary on prospects

Despite the positive outlook of Malaysia economy with the expected growth of 5.4% in 2014 and 4.6% in 2015, the business prospect of the Property Sector will continue to be challenging.

Various regulatory measures introduced by Government of Malaysia to curb speculation while not to restrict genuine demand, however, has negatively impacted the property market in short term. According to the first half 2014 Property Industry Survey by the Real Estate and Housing Developers' Association Malaysia (Rehda), properties in the housing price range below RM1mil have been facing a tough sell largely because of homebuyers' difficulty in getting financing.

The imposition of Good and Service Tax ("GST") on the property sector with the Government decision that residential transaction is an exempt supply where the property developers will not be able to claim any input tax. The increase in construction costs due to GST and inability to claim any input tax will give pressure to the property developers to sustain the profitability and may lead to a hike in house prices.

With these challenges ahead, the Group will continue its focus on measures to increase operational efficiencies and to pursue innovative concepts to enhance its development and construction projects. A detail review of the operations of the Group will be undertaken in this endeavour, including potential acquisition of new land and properties, and entering into joint ventures for property development and new businesses.

B4. Variance from forecast profit and profit guarantee

Not applicable.

B5. Income tax expense

	Quarter ended		Year-to-date ended	
	30.09.2014	30.09.2013	30.09.2014	30.09.2013
	RM'000	RM'000	RM'000	RM'000
Income tax	(1,117)	(5,255)	(6,990)	(14,963)
Deferred tax	1,509	809	(1,275)	1,783
	<u>392</u>	<u>(4,446)</u>	<u>(8,265)</u>	<u>(13,180)</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 have not been used to 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 period ended 30 September 2014.

B7. Borrowings and debt securities

	As at 30.09.2014 RM'000
Current	
Sukuk Murabahah	135,115
Term loan	95,604
Revolving credit	26,350
Obligations under finance leases and hire purchases	1,112
RCSLS - liability component	269
	<u>258,450</u>
Non-current	
Sukuk Murabahah	936,218
Term loan	148,209
Obligations under finance leases and hire purchases	6,831
RCSLS - liability component	8,339
	<u>1,099,597</u>
Total Group's loans and borrowings	<u>1,358,047</u>

B8 Changes in material litigation

(i) Arbitration Proceeding against Pembinaan Kekal Mewah Sdn Bhd ("PKM")

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

(ii) Arbitration Proceeding against Lembah Penchala Sdn Bhd ("LPSB")

ECSB, has on 13 November 2014, served a Notice of Arbitration on LPSB to refer the disputes and differences in relation to ECSB's claims against LPSB to arbitration pursuant to the provisions of the Conditions of Contract.

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B8 Changes in material litigation (cont'd)

(ii) Arbitration Proceeding against Lembah Penchala Sdn Bhd (“LPSB”) (cont'd)

LPSB is the employer who has awarded ECSB the construction and completion of main contract works for “Cadangan pembangunan 4 blok pangsapuri servis 13 tingkat (409 unit) dan 3 aras besmen tempat letak kereta berserta surau, gimnasium, spa dan sauna, dewan, kafe, mini market di atas Lot PT 1425, Jalan PJU 1A/20, Mukim Damansara, Daerah Petaling, Selangor Darul Ehsan” (“Contract”).

The arbitration proceeding is commenced against LPSB to seek, among others, a sum of RM68,672,466 arising from LPSB’s wrongful termination of the Contract, general damages, financing charges, ECSB’s entitlement to extensions of time, refund of proceeds from encashment of performance bond in the sum of RM9,042,500 or such other sum released by the Bank and costs.

B9 Dividends

The Board of Directors did not recommend any dividend for the quarter ended 30 September 2014.

B10 Profit for the period

	Quarter and Year-to-date ended	
	30.09.2014	30.09.2013
	RM'000	RM'000
The profit before tax is arrived at after charging / (crediting):		
a) Interest income	(4,076)	(5,225)
b) Other income	(8,616)	(781)
c) Interest expense	87,456	87,414
d) Depreciation and amortisation	3,071	1,781
e) Provision for and write off of receivables	N/A	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) Loss/(gain) on property, plant & equipment	N/A	828
i) Gain/(loss) on intangible assets	N/A	(62)
j) Impairment of goodwill	-	2,193
k) Foreign exchange gain or loss	N/A	N/A
l) Gain/loss on derivatives; and	N/A	N/A
m) exceptional items	N/A	N/A

N/A denotes as not applicable.

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B11 Retained Earnings

Group	As at 30.09.2014 RM'000	As at 30.09.2013 RM'000
Realised	315,717	281,249
Unrealised	14,902	1,785
	<u>330,619</u>	<u>283,034</u>
Consolidation adjustments	(333,952)	(251,384)
Total retained earnings	<u>(3,333)</u>	<u>31,650</u>

B12 Earnings per share ("EPS")

a) Basic EPS

	Quarter ended		Year-to-date ended	
	30.09.2014 RM'000	30.09.2013 RM'000	30.09.2014 RM'000	30.09.2013 RM'000
Profit/(loss) attributable to owners of the parent	(7,436)	8,005	1,417	14,422
Weighted average number of ordinary shares in issue	278,588	218,423	240,803	218,423
Basic EPS (sen)	<u>(2.67)</u>	<u>3.66</u>	<u>0.59</u>	<u>6.60</u>

b) Diluted EPS

Profit/(loss) attributable to owners of the parent	(7,436)	8,005	1,417	14,422
Effect on earnings upon conversion of RCSLS	1,364	2,710	4,799	4,014
	<u>(6,072)</u>	<u>10,715</u>	<u>6,216</u>	<u>18,436</u>
Weighted average number of ordinary shares in issue	278,588	218,413	240,803	218,423
Effect of dilution	43,483	97,881	43,483	97,881
Adjusted weighted average number of ordinary shares in issue and issuable	<u>322,071</u>	<u>316,294</u>	<u>284,286</u>	<u>316,304</u>
Diluted EPS (sen)	<u>N/A</u>	<u>3.39</u>	<u>N/A</u>	<u>5.83</u>

The effect on the diluted earnings per share for the current quarter and year-to-date arising from the assumed conversion of RCSLS and warrants are anti-dilutive. Accordingly, the diluted EPS was not presented for the said period.

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B13 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 26 November 2014.

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

Lee Lay Hong
Nuruluyun Binti Abdul Jabar
Company Secretaries

26 November 2014