



ENCORP BERHAD (506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE
ENDED 31 DECEMBER 2014**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2014**

	Quarter ended		Year-to-date ended	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Revenue	64,352	134,109	333,032	536,435
Cost of sales	(50,021)	(79,779)	(193,283)	(302,429)
Gross profit	14,331	54,330	139,749	234,006
Other income	37,883	66,077	50,575	72,083
Marketing and distribution expenses	(2,402)	(8,509)	(7,896)	(33,738)
Administrative expenses	(13,500)	(3,830)	(43,511)	(29,689)
Other expenses	(850)	915	(3,921)	(7,905)
Finance costs	(29,458)	(31,413)	(116,914)	(118,827)
Profit before tax	6,004	77,570	18,082	115,930
Income tax expense	(2,031)	(6,929)	(10,296)	(20,109)
Profit net of tax	3,973	70,641	7,786	95,821
Other comprehensive income, net of tax				
Foreign currency translation	1,225	(1,329)	222	(3,294)
Total comprehensive income for the year	5,198	69,312	8,008	92,527
Profit attributable to:				
Owners of the parent	9,930	47,074	11,347	61,496
Non-controlling interest	(5,957)	23,567	(3,561)	34,325
	3,973	70,641	7,786	95,821
Total comprehensive income attributable to:				
Owners of the parent	11,155	45,745	11,569	58,202
Non-controlling interest	(5,957)	23,567	(3,561)	34,325
	5,198	69,312	8,008	92,527
Profit per share attributable to owner of the parent (sen)				
Basic	3.56	21.54	4.42	28.14
Diluted	3.52	15.56	N/A	21.40

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 31 DECEMBER 2014**

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Assets		
Non-current assets		
Property, plant and equipment	24,220	29,787
Intangible assets	24,878	25,165
Land held for property development	46,394	46,712
Completed investment property	343,397	103,300
Investment property under construction	-	177,096
Trade receivables	984,768	998,292
Deferred tax assets	14,603	7,550
	<u>1,438,260</u>	<u>1,387,902</u>
Current assets		
Property development costs	128,082	157,976
Inventories	17,763	1,525
Tax recoverable	4,684	1,394
Trade and other receivables	118,012	146,602
Other current assets	148,752	153,485
Investment security	107,154	115,808
Cash and bank balances	45,329	79,805
	<u>569,776</u>	<u>656,595</u>
Total assets	<u>2,008,036</u>	<u>2,044,497</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014 (contd.)**

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	171,479	178,536
Other current liabilities	64,912	11,255
Loans and borrowings	222,950	145,370
Income tax payables	-	9,727
	<u>459,341</u>	<u>344,888</u>
Non-current liabilities		
Trade payables	21,597	33,314
Loans and borrowings	1,050,062	1,251,084
Deferred tax liabilities	7,129	2,843
	<u>1,078,788</u>	<u>1,287,241</u>
Total liabilities	<u>1,538,129</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	2,815	2,593
Retained profit	6,597	3,446
	<u>389,876</u>	<u>328,776</u>
Non-controlling interest	80,031	83,592
Total equity	<u>469,907</u>	<u>412,368</u>
Total equity and liabilities	<u>2,008,036</u>	<u>2,044,497</u>
 Net assets per share attributable to owner of the parents (RM)	 <u>1.52</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 31 DECEMBER 2014**

RM'000	← Non-distributable →						Distributable				
	Share capital	Share premium	Treasury shares	Warrants reserves	Equity component of RCCLS	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	-	-	-	-	-	222	222	11,347	11,569	(3,561)	8,008
Transaction with owners:											
Dividend paid	-	-	-	-	-	-	-	(8,196)	(8,196)	-	(8,196)
Issuance of ordinary shares: - Conversion of RCCLS	53,789	3,938	-	-	-	-	-	-	57,727	-	57,727
At 31 December 2014	278,645	106,378	(4,559)	3,640	-	(825)	2,815	6,597	389,876	80,031	469,907
At 1 January 2013											
As previously stated	223,509	102,435	(4,559)	3,640	-	2,247	5,887	21,590	348,862	49,815	398,677
Prior year adjustment	-	-	-	-	-	-	-	(75,278)	(75,278)	-	(75,278)
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)	-	-	-	-	-	(3,294)	(3,294)	61,496	58,202	34,325	92,527
Transaction with owners:											
Dividend paid	-	-	-	-	-	-	-	(4,362)	(4,362)	(548)	(4,910)
Issuance of ordinary shares: - Conversion of RCCLS	1,347	5	-	-	-	-	-	-	1,352	-	1,352
At 30 December 2013 (restated)	224,856	102,440	(4,559)	3,640	-	(1,047)	2,593	3,446	328,776	83,592	412,368

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 31 DECEMBER 2014**

	Year-to-date ended	
	31.12.2014 RM'000	31.12.2013 RM'000
Cash flows from operating activities		
Profit before taxation	18,082	115,930
Adjustments:		
Depreciation	3,618	2,352
Amortisation of intangible assets	303	322
Loss on disposal of property, plant and equipment	(10)	726
Gain on disposal of investment security	(334)	(2,124)
Interest expenses	116,914	118,827
Distribution income from money market investment security	(3,694)	(3,233)
Interest income	(2,747)	(1,523)
Fair value gain from investment properties	(42,242)	(63,388)
Loss on disposal of intangible assets	-	33
Provision for short term accumulating compensated absence	-	73
Write off of property, plant & equipment	-	32
Impairment for land held for property development	-	5,217
Impairment of intangible assets	-	4
Impairment of trade receivable	1,423	12
Adjustments for property, plant & equipment	-	2,274
Finance income - other liabilities at amortised costs	-	(89)
Operating profit before working capital changes	89,890	175,445
Changes in working capital:		
Net changes in current assets	30,120	(291,359)
Net changes in current liabilities	34,128	54,304
Net changes in property development cost	29,894	142,983
Cash generated from operations	184,032	81,373
Income tax paid	(25,529)	(25,084)
Interest paid	(8,417)	(2,611)
Net cash generated from operating activities	150,086	53,678
Cash flows from investing activities		
Interest received	2,747	1,523
Purchase of property, plant and equipment	(9,487)	(10,755)
Purchase of intangible assets	(16)	(252)
Proceeds from disposal of property, plant and equipment	1,262	920
Proceeds from disposal of intangible assets	-	259
Distribution income received	3,694	3,233
Decrease in investment security	2,679	133,084
Net cash generated from investing activities	879	128,012

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR-TO-DATE ENDED 31 DECEMBER 2014 (contd.)**

	Year-to-date ended	
	31.12.2014 RM'000	31.12.2013 RM'000
Cash flows from financing activities		
Dividend paid to:		
shareholders of the Company	(8,196)	(4,910)
Payment of RCSLS Coupon	(2,083)	(3,912)
Repayment of SUKUK	(151,877)	(236,083)
Repayment of loans & borrowing	(19,332)	(25,238)
Placement of deposits pledged	-	(8,876)
Net proceeds from loans and borrowings	-	123,393
Net proceeds from finance lease payable	-	(2,236)
Net cash used in from financing activities	(181,488)	(157,862)
Net decrease in cash and cash equivalents	(30,523)	23,828
Effect of exchange rate changes	317	(4,700)
Cash and cash equivalents at beginning of period	66,741	47,613
Cash and cash equivalents at end of period	<u>36,535</u>	<u>66,741</u>
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	9,995	13,819
- Licensed corporation	-	62
Cash and bank balances	38,320	65,924
Bank overdrafts	(2,986)	(10,554)
	45,329	69,251
Less: Bank balances and deposits pledged / designated	(8,794)	(2,510)
Cash and cash equivalents at end of period	<u>36,535</u>	<u>66,741</u>

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 31 DECEMBER 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 2014. 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 2014.

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 31 DECEMBER 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 31 DECEMBER 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 year ended 31 December 2014.

A6. Debt and equity securities

There were no issuances, cancellation, repurchases, resales and repayments of debt and equity securities for the financial year ended 31 December 2014 except for the following:

a) Treasury shares

As at 31 December 2014, 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 85,000
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The next repayment of Sukuk Murabahah is scheduled in May 2015

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 year ended 31 December 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 year ended 31 December 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 31 DECEMBER 2014**

A8. Segmental information

The Group's segment revenue and results are presented by industry segments for the year-to-date ended 31 December 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	-	101,527	73,568	151,697	4,805	1,435	-	333,032
Inter-segment	18,376	-	40,312	(3,429)	1,899	2,590	(59,748)	-
Total Revenue	18,376	101,527	113,880	148,268	6,704	4,025	(59,748)	333,032
Results:								
Segment results	(3,823)	100,608	(35,267)	37,830	(8,556)	(1,116)	-	89,676
Interest income	175	3,760	144	2,353	-	94	-	6,526
Gain on fair value changes of investment Properties	16,243	-	-	-	43,633	-	(17,634)	42,242
Interest expense	(7,529)	(101,593)	(1,042)	(1,741)	(4,044)	(86)	-	(116,035)
Depreciation	(1,479)	-	(2,395)	(134)	(149)	(170)	-	(4,327)
Profit / (Loss)before tax	3,587	2,775	(38,560)	38,308	30,884	(1,278)	(17,634)	18,082

* 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 31 DECEMBER 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 year ended 31 December 2014 up to the date of this report except for the following:

a) Resell of treasury shares

On 12 February 2015, the Company resell 5 million of its treasury shares at price of RM1.10 per share resulting to a surplus of RM1.25 million which will be credited to the Share Premium Account. As at the date of this report, the total number of treasury shares held is 386,000.

A10. Changes in the composition of the Group

There were no changes in the composition of the Group during the financial year ended 31 December 2014

A11. Changes in contingent liabilities

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	122,336	95,764
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	5,814	3,542
Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries	3,229	1,335
	<u>131,379</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 31 DECEMBER 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
(4Q14 vs. 4Q13).**

The Group's revenue for the quarter ended 31 December 2014 (4Q14) decreased by RM69.76 million or 52% to RM64.35 million as compared to RM134.11 million in corresponding quarter ended 31 December 2013 (4Q13).

The Group recorded a profit before tax of RM6.00 million in 4Q14 as compared to profit before tax of RM77.57 million in 4Q13. 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 and lower fair value gain on the investment properties.

Property

The Property Development recorded lower revenue of RM21.48 million in 4Q14 from RM49.13 million recorded in 4Q13 and the profit before tax for the division decreased to RM5.55 million in 4Q14 as compared to RM10.83 million in 4Q13. This is resulted from handing over of Frangipani 2 , Encorp Cahaya Alam in 4Q13 and lower sales achieved due to softer property market conditions.

Construction

Revenue from external construction contract decreased by RM37.68 million or 62% to RM23.09 million in 4Q14 from RM60.77 million recorded in 4Q13. This is mainly due to lower progress of works completed for projects. The division recorded a loss before tax of RM38.39 million in 4Q14 as compared to a profit before tax of RM2.92 million in 4Q13.

Investment property

The division recorded a revenue of RM1.45 million in 4Q14. During the current quarter, the division also recorded a gain on fair value changes for the investment properties held of RM9.46 million.

Concession

The concession division remain consistent with revenue of RM25.05 million in 4Q14 (4Q13 : RM25.92 million) and loss before tax of RM0.96 million in 4Q14 as compared to loss before tax of RM0.70 million in 4Q13.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2014**

B1. Performance review (cont'd)

b) Performance of the current financial period against the preceding year corresponding period (FY2014 vs. FY2013).

For the financial year end 31 December 2014 (FY2014), the Group's revenue decreased by RM203.40 million or 38% to RM333.03 million as compared to RM536.44 million in corresponding year ended 31 December 2013 (FY2013).

The Group recorded a lower profit before tax of RM18.08 million in FY2014 as compared to RM115.93 million for FY2013. The decrease in revenue and profit is due to lower sales achieved by the Property Division resulted from the softer property market and lower fair value gain on the investment properties.

Property

The revenue of property division decreased from RM344.84 million in the preceding year corresponding period to RM151.82 million in the current financial year. The decrease was mainly due to completion of Garden Office project, Frangipani phase 1 & 2 during FY2013 and softer market conditions during FY2014. There was no launch of new project during FY 2014. Accordingly, the profit before tax for the division also decreased to RM38.78 million from RM70.21 million.

Construction

The revenue from external construction contracts increased by RM2.00 million or 2% to RM84.57 million in FY2014 from RM82.57 million in FY2013. Despite of the higher revenue, the division recorded a loss before tax of RM38.56 million in FY2014 as compared to a profit before tax of RM2.92 million in FY2013. This is due to construction cost written off for a project terminated in FY2014. In addition, the increase in building material cost and higher labour cost resulted from shortage of supply is expected to cause foreseeable losses for ongoing projects procured prior to FY2014.

Investment property

The division recorded a revenue of RM4.81 million in during the financial year. During FY2014, the division also recorded a gain on fair value changes for the investment properties held of RM43.6 million

Concession

The concession division recorded revenue of RM101.53 million in FY2014 (FY2013 : RM104.87 million). The result of the division improved from loss before tax of RM1.13 million in FY2013 to RM2.78 million in FY2014 due to higher finance cost incurred for the Sukuk Murabahah issued in the preceding year.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2014**

B2. Comparison with Immediate Preceding Quarter

The Group's revenue increased by RM8.10 million or 14% to RM64.35 million as compared to RM56.25 million registered in the preceding quarter. The profit before tax improved from loss before tax of RM10.02 million in preceding quarter to RM6.00 million in current quarter. The increase is mainly due to the fair value gain on the investment properties recognised and sales achieved by the Property Division during the current quarter.

B3. Commentary on prospects

Despite the positive outlook of Malaysia economy with the expected growth 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, therefore, 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.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 31 DECEMBER 2014**

B5. Income tax expense

	Quarter ended		Year-to-date ended	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
	RM'000	RM'000	RM'000	RM'000
Income tax	(10,359)	(14,588)	(17,349)	(29,551)
Deferred tax	8,328	7,659	7,053	9,442
	<u>(2,031)</u>	<u>(6,929)</u>	<u>(10,296)</u>	<u>(20,109)</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.

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 2014.

B7. Purchase or disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial year ended 31 December 2014.

B8. Status of corporate proposals

There were no pending corporate proposals during the financial period ended 31 December 2014.

B9. Borrowings and debt securities

	As at 31.12.2014	
	Current	Non-current
	RM'000	RM'000
Secured		
Sukuk Murabahah	135,115	893,546
Term loan	58,038	143,196
Obligations under finance leases and hire purchases	2,510	3,596
RCSLS - liability component	137	9,724
Revolving credit	26,350	-
Bank overdraft	800	-
	<u>222,950</u>	<u>1,050,062</u>

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B10 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.

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 has 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.

B11 Dividends

The Board of Directors did not recommend any dividend for the quarter ended 31 December 2014.

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B12 Profit for the period

	Quarter ended 31.12.2014 RM'000	Year-to-date ended 31.12.2014 RM'000
The profit before tax is arrived at after charging / (crediting):		
a) Interest income	(2,450)	(6,526)
b) Other income	(35,433)	(44,049)
c) Interest expense	29,458	116,914
d) Depreciation and amortisation	(850)	(3,921)
e) Provision for and write off of receivables	1,423	1,423
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	10	10
i) Loss/(gain) on intangible assets	N/A	N/A
j) Impairment of goodwill	N/A	N/A
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.

B13 Retained Earnings

	As at 31.12.2014 RM'000	As at 31.12.2013 RM'000
Group		
Realised	198,615	231,327
Unrealised	120,678	68,045
	<u>319,293</u>	<u>299,372</u>
Consolidation adjustments	(312,696)	(295,926)
Total retained earnings	<u>6,597</u>	<u>3,446</u>

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B14 Earnings per share ("EPS")

a) Basic EPS

	Quarter ended		Year-to-date ended	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Profit attributable to owners of the parent	9,930	47,074	11,347	61,496
Weighted average number of ordinary shares in issue	278,644	218,516	256,666	218,516
Basic EPS (sen)	3.56	21.54	4.42	28.14

b) Diluted EPS

Profit attributable to owners of the parent	9,930	47,074	11,347	61,496
Effect on earnings upon conversion of RCSLS	1,410	2,057	6,209	6,071
	11,340	49,131	17,556	67,567
Weighted average number of ordinary shares in issue	278,644	218,516	256,666	218,516
Effect of dilution	43,483	97,212	43,483	97,212
Adjusted weighted average number of ordinary shares in issue and issuable	322,127	315,728	300,149	315,728
Diluted EPS (sen)	3.52	15.56	N/A	21.40

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

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B15 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 23 February 2015.

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

Lee Lay Hong
Nuruluyun Binti Abdul Jabar
Company Secretaries

23 February 2015