



**ENCORP BERHAD (506836-X)**

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE  
ENDED 30 JUNE 2015**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

	Quarter ended		Year-to-date ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Revenue	59,188	119,139	127,824	212,428
Cost of sales	(31,666)	(66,667)	(64,517)	(115,689)
Gross profit	27,522	52,472	63,307	96,739
Other income	1,823	1,669	3,042	10,558
Marketing and distribution expenses	(488)	(3,693)	(976)	(4,733)
Administrative expenses	(6,888)	(12,407)	(13,207)	(20,527)
Other expenses	(932)	(1,038)	(1,907)	(1,994)
Finance costs	(27,893)	(30,438)	(55,641)	(57,943)
(Loss)/Profit before tax	(6,856)	6,565	(5,382)	22,100
Income tax expense	(3,147)	(3,617)	(4,412)	(8,657)
(Loss)/Profit net of tax	(10,003)	2,948	(9,794)	13,443
<b>Other comprehensive income, net of tax</b>				
Foreign currency translation	(14)	(26)	222	(401)
<b>Total comprehensive income for the year</b>	<b>(10,017)</b>	<b>2,922</b>	<b>(9,572)</b>	<b>13,042</b>
<b>(Loss)/Profit attributable to:</b>				
Owners of the parent	(10,603)	1,506	(11,210)	8,863
Non-controlling interest	600	1,442	1,416	4,580
	<b>(10,003)</b>	<b>2,948</b>	<b>(9,794)</b>	<b>13,443</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the parent	(10,617)	1,480	(10,988)	8,462
Non-controlling interest	600	1,442	1,416	4,580
	<b>(10,017)</b>	<b>2,922</b>	<b>(9,572)</b>	<b>13,042</b>
<b>Earnings per share attributable to owner of the parent (sen)</b>				
Basic	(3.81)	0.65	(4.02)	3.91
Diluted	-	-	-	-

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 2014 and the accompanying explanatory notes attached to the interim financial statements.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2015**

	<b>As at 30.06.2015 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
<b>Assets</b>		
<b>Non-current assets</b>		
Property, plant and equipment	19,835	22,846
Intangible assets	24,812	24,969
Land held for property development	46,009	45,820
Completed investment property	343,924	343,749
Trade receivables	840,411	960,581
Deferred tax assets	11,189	7,746
	<u>1,286,180</u>	<u>1,405,711</u>
<b>Current assets</b>		
Property development costs	74,691	77,587
Inventories	77,936	79,788
Tax recoverable	9,436	6,332
Trade and other receivables	237,269	130,084
Other current assets	118,948	106,062
Investment security	117,966	108,300
Cash and bank balances	18,206	48,047
	<u>654,452</u>	<u>556,200</u>
<b>Total assets</b>	<u>1,940,632</u>	<u>1,961,911</u>

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2015 (contd.)**

	<b>As at 30.06.2015 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
<b>Equity and liabilities</b>		
<b>Current liabilities</b>		
Trade and other payables	155,127	144,056
Other current liabilities	22,110	33,905
Loans and borrowings	270,203	122,704
Income tax payables	-	3
	<u>447,440</u>	<u>300,668</u>
<b>Non-current liabilities</b>		
Trade payables	41,590	32,577
Loans and borrowings	977,456	1,154,285
Deferred tax liabilities	6,705	2,858
	<u>1,025,751</u>	<u>1,189,720</u>
<b>Total liabilities</b>	<u>1,473,191</u>	<u>1,490,388</u>
<b>Equity attributable to owners of parent</b>		
Share capital	278,645	278,645
Treasury shares	(327)	(4,559)
Share premium	104,302	103,044
Other reserves	1,835	1,613
Retained profit	(5,436)	5,774
	<u>379,019</u>	<u>384,517</u>
Non-controlling interest	88,422	87,006
<b>Total equity</b>	<u>467,441</u>	<u>471,523</u>
<b>Total equity and liabilities</b>	<u>1,940,632</u>	<u>1,961,911</u>
Net assets per share attributable to owner of the parents (RM)	<u>1.36</u>	<u>1.53</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2015**

RM'000	← Non-distributable					→ Distributable				
	Share capital	Share premium	Treasury shares	Warrants reserves	Foreign currency translation reserve	Other reserves, total	Retained Profit	Total	Non-controlling interest	Total equity
<b>At 1 January 2015</b>	278,645	103,044	(4,559)	3,640	(2,027)	1,613	5,774	384,517	87,006	471,523
Total comprehensive income for the period	-	-	-	-	222	222	(11,210)	(10,988)	1,416	(9,572)
<b>Transaction with owners:</b>										
Disposal of Treasury Shares	-	1,258	4,232	-	-	-	-	5,490	-	5,490
<b>At 30 June 2015</b>	<b>278,645</b>	<b>104,302</b>	<b>(327)</b>	<b>3,640</b>	<b>(1,805)</b>	<b>1,835</b>	<b>(5,436)</b>	<b>379,019</b>	<b>88,422</b>	<b>467,441</b>
<b>At 1 January 2014</b>	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 (restated)	-	-	-	-	(401)	(401)	8,863	8,462	4,580	13,042
<b>Transaction with owners:</b>										
Issuance of ordinary shares:										
- Conversion of RCSLS	53,728	3,999	-	-	-	-	-	57,727	-	57,727
<b>At 31 June 2014</b>	<b>278,584</b>	<b>106,439</b>	<b>(4,559)</b>	<b>3,640</b>	<b>(1,448)</b>	<b>2,192</b>	<b>12,309</b>	<b>394,965</b>	<b>88,172</b>	<b>483,137</b>

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2015**

	Year-to-date ended	
	30.06.15 RM'000	30.06.14 RM'000
<b>Cash flows from operating activities</b>		
(Loss) / Profit before taxation	(5,382)	22,100
Adjustments:		
Depreciation	1,757	1,836
Amortisation of intangible assets	149	158
Loss on disposal of property, plant and equipment	13	-
Gain on disposal of investment security	(144)	(128)
Interest expenses	55,641	57,943
Distribution income from money market investment security	(2,039)	(1,863)
Interest income	(488)	(762)
Fair value gain from investment properties	-	(7,340)
Operating profit before working capital changes	49,507	71,944
Changes in working capital:		
Net changes in current assets	1,986	(23,904)
Net changes in current liabilities	8,255	(59)
Net changes in property development cost	2,706	6,030
Cash generated from operations	62,454	54,011
Income tax paid	(7,114)	(12,261)
Interest paid	(4,364)	(3,694)
Net cash generated from operating activities	50,976	38,056
<b>Cash flows from investing activities</b>		
Interest received	488	762
Purchase of property, plant and equipment	-	(5,555)
Purchase of intangible assets	-	(19)
Proceeds from disposal of property, plant and equipment	1,072	-
Distribution income received	2,039	1,863
(Increase) / Decrease in investment security	(9,521)	10,347
Net cash generated from investing activities	(5,922)	7,398

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
FOR THE YEAR-TO-DATE ENDED 30 JUNE 2015 (contd.)**

	<b>Year-to-date ended</b>	
	<b>30.06.15</b>	<b>30.06.14</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from financing activities</b>		
Payment of RCSLS Coupon	(318)	(2,434)
Repayment of loans & borrowing	(10,880)	-
Repayment of Sukuk Murabahah	(67,044)	(83,807)
Withdrawal / (Placement) of deposits pledged	1,312	(8,881)
Net proceeds from sale of treasury shares	5,491	-
Net proceeds from loans and borrowings	-	31,442
Net (payment) / proceeds from finance lease payable	(1,199)	1,927
Net cash used in from financing activities	(72,638)	(61,753)
Net decrease in cash and cash equivalents	(27,584)	(16,299)
Effect of exchange rate changes	222	(401)
Cash and cash equivalents at beginning of period	35,481	66,741
Cash and cash equivalents at end of period	8,119	50,041
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	6,954	14,695
- Licensed corporation	28	156
Cash and bank balances	11,224	57,130
	18,206	71,981
Less: Bank overdrafts	(3,011)	(9,314)
Bank balances and deposits pledged / designated	(7,076)	(12,626)
<b>Cash and cash equivalents at end of period</b>	<b>8,119</b>	<b>50,041</b>

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2014 and the accompanying explanatory notes attached to the interim financial statements.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

**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 2014, 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 2015.

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

On 1 January 2015, the Group adopted the following FRSs, Amendments to FRSs and IC Interpretations:-

Amendments to FRS 119: Defined Benefit Plans: Employee Contributions  
Annual Improvements to FRSs 2010 - 2012 Cycle  
Annual Improvements to FRSs 2011 - 2013 Cycle

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



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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

**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 a fully IFRS-compliant framework which is applicable for all non-private entities for annual period beginning on or after 1 January 2012, other than Transitioning Entities (TEs), which may defer adoption in view of potential changes on the horizon which may change current accounting treatments. On 2 September 2014, the Malaysian Accounting Standard Board has announced the adoption of MFRS for the TEs is deferred to 1 January 2017.

TEs are non-private entities within the scope of MFRS 141 - Agriculture and IC Interpretation 15 - Agreements for the Construction of Real Estate, including their parent, significant investor and venturer. The Group being a TE, will adopt the MFRS Framework with effect from 1 January 2017.

The Group consider that it is achieving its scheduled milestones and expects to be in a position to fully comply with the requirement of the MFRS Framework of the financial year ending 31 December 2017.

**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:

**Effective for financial period beginning on or after 1 January 2016**

Annual Improvements to FRSs 2012-2014 Cycle

Amendments to FRS 116 and FRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to FRS 116 and FRS 141: Agriculture: Bearer Plants

Amendments to FRS 10 and FRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to FRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendment to FRS 127: Equity Method in Separate Financial Statements

Amendment to FRS 101: Disclosure Initiative

Amendments to FRS 10, FRS 12 and FRS 128: Investment Entities: Applying the Consolidation Exception

FRS 14: Regulatory Deferral Accounts

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

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

The Group's latest audited financial statements for the financial year ended 31 December 2014 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 ended 30 June 2015.

**A6. Debt and equity securities**

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities for the financial year ended 30 June 2015 except for the following:

**a) Treasury shares**

On 12 February 2015, the Company resold 5,000,000 of its treasury shares at the price of RM1.10 per treasury share for total net consideration of RM5,490,550.

As at 30 June 2015, the total number of treasury shares held was 386,000.

**b) Repayment of Sukuk Murabahah**

Encorp Systembilt Sdn Bhd's ("ESSB") Sukuk Murabahah	<b>RM'000</b> <u>35,000</u>
--	--------------------------------

The next repayment of Sukuk Murabahah is scheduled in November 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.

**A7. Dividend paid**

No dividend was paid during the financial period ended 30 June 2015.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

**A8. Segmental information**

The Group's segment revenue and results are presented by industry segments for the year-to-date ended 30 June 2015 as follows: -

	<b>Investment holding RM'000</b>	<b>Concessionaire RM'000</b>	<b>Construction RM'000</b>	<b>Property development RM'000</b>	<b>Investment property RM'000</b>	<b>Others* RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>								
External customers	-	49,414	15,262	58,115	4,556	477	-	127,824
Inter-segment	3,556	-	15,232	-	927	28	(19,743)	-
<b>Total Revenue</b>	<b>3,556</b>	<b>49,414</b>	<b>30,494</b>	<b>58,115</b>	<b>5,483</b>	<b>505</b>	<b>(19,743)</b>	<b>127,824</b>
<b>Results:</b>								
Segment results	(3,657)	51,048	(10,419)	15,104	55	(532)	51	51,650
Interest income	42	42	21	377	5	-	-	487
Interest expense	(1,202)	(50,796)	(273)	(642)	(2,714)	(28)	-	(55,655)
Depreciation	(403)	-	(1,248)	(62)	(57)	(43)	(51)	(1,864)
<b>Profit / (Loss)before tax</b>	<b>(5,220)</b>	<b>294</b>	<b>(11,919)</b>	<b>14,777</b>	<b>(2,711)</b>	<b>(603)</b>	<b>-</b>	<b>(5,382)</b>

\* 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 JUNE 2015**

**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 June 2015 up to the date of this report.

**A10. Changes in the composition of the Group**

There were no changes in the composition of the Group during the financial year ended 30 June 2015.

**A11. Changes in contingent liabilities**

	<b>As at 30.06.2015 RM'000</b>	<b>As at 30.06.2014 RM'000</b>
<b>Contingent liabilities:</b>		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	87,345	155,947
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	4,345	7,329
Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries	3,643	7,956
	<u>95,333</u>	<u>171,232</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.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

**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  
(2Q15 vs. 2Q14).**

The Group's revenue for the quarter ended 30 June 2015 ("2Q15") lowered by RM59.95 million or 50% to RM59.2 million as compared to RM119.1 million in corresponding quarter ended 30 June 2014 ("2Q14").

The Group recorded a loss before tax of RM6.9 million in 2Q15 as compared to profit before tax of RM6.6 million in 2Q14. 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 cost written off and recognition of foreseeable losses of terminated construction projects.

***Property***

The Property Development recorded lower revenue of RM28.4 million in 2Q15 as compared to revenue of RM62.7 million recorded in 2Q14 and the profit before tax for the division decreased to RM8.9 million in 2Q15 as compared to RM16.8 million in 2Q14. This was lower sales achieved and completion of 2 parcels of Cahaya Alam project in FY2014.

***Construction***

Revenue from external construction contract decreased from RM29.4 million in 2Q14 to RM3.6 million in 2Q15. The division recorded a loss before tax of RM10.2 million in 2Q15 as compared to a loss before tax of RM0.3 million in 2Q14. The lower revenue and losses before tax is mainly due to the termination of a construction project and foreseeable losses being recognised during the quarter.

***Investment property***

The division recorded a revenue of RM2.4 million in 2Q15 as compared to RM1.4 million in 2Q14. This is due to the Encorp Strand Mall only commenced business in March 2014 and officially launched on 28 May 2014. The occupancy rate for the current quarter is higher than the preceding year corresponding quarter.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

**B1. Performance review (cont'd)**

**a) Performance of the current quarter against the preceding year corresponding quarter  
(2Q15 vs. 2Q14) (cont'd).**

***Concession***

Pursuant to the Privatisation Agreement, the concession income is payable by the Government from the completion and handover of each cluster of the teachers' quarters up to the end of the concession period. Accordingly, the Group is compensated in the form of interest as a result of the extended repayment period. The interest income from concession is recognised as revenue using the effective interest method.

The concession division recorded a revenue of RM24.6 million in 2Q15 as compared to RM25.71 million in 2Q14.

**b) Performance of the current financial period against the preceding year corresponding period (1H15 vs. 1H14).**

For the financial period end 30 June 2015 (1H15), the Group's revenue lowered by RM84.6 million or 40% to RM127.8 million as compared to RM212.4 million in corresponding period ended 30 June 2014 (1H14).

The Group recorded a loss before tax of RM5.4 million in 1H15 as compared to profit before tax of RM22.1 million in 1H14. The lower 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 RM114.5 million in the preceding year corresponding period to RM58.1 million in the current financial period. The decrease was mainly due to no new project launched during FY2014 and lower sales achieved arising from softer property market conditions. Accordingly, the profit before tax for the division also decreased to RM14.8 million from RM29.0 million.

***Construction***

The revenue from external construction contracts decreased to RM15.3 million in 1H15 as compared to RM44.6 million in 1H14. The division recorded a loss before tax of RM11.9 million in 1H15 as compared to a loss before tax of RM0.8 million in 1H14. This is due to construction cost written off for a project terminated as well as recognition of foreseeable losses of certain projects during the financial period.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

**B1. Performance review (cont'd)**

**b) Performance of the current financial period against the preceding year corresponding period (1H15 vs. 1H14).(cont'd)**

***Investment property***

The division recorded a revenue of RM4.6 million in 1H15 as compared to RM1.7 million in 1H14. This is due to the commencement of business in March 2014 for Encorp Strand Mall couple with higher occupancy rate in this period.

**Concession**

The concession division recorded revenue of RM49.4 million in 1H15 as compared to RM51.2 million in 1H14. The revenue of the division derived from the compensation in form of interest received from the Government for the extended repayment period and is recognised using effective interest method.

**B2. Comparison with Immediate Preceding Quarter**

The Group's revenue decreased by RM9.4 million or 14% to RM59.2 million as compared to RM68.6 million registered in the preceding quarter and recorded a loss before tax of RM6.9 million as compared to RM1.5 million in preceding quarter. The decrease in result is mainly due to the construction cost written off for a project terminated as well as recognition of foreseeable losses of certain projects during the financial period.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

**B3. Commentary on prospects**

The Malaysian economy is currently facing some challenges that are negatively impacting its economy climate and outlook going forward. With the tightening of private sector spending as a result of imposition of Goods and Services Tax, depressed oil price and the weak Ringgit, the property market is expected to have slower growth, more so within the construction sector.

However, the Group views that the Malaysia economic fundamentals remained strong. These relate to the expected growth in population and earning capacity, low unemployment and low non-performing loan rates, all of which are factors which contribute towards sustainable growth of the property market in the medium to long term.

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 projects. A detail review of the operations of the Group will be undertaken in this endeavour, including potential acquisition of new land and properties, entering into joint ventures for property development and new businesses and rationalisation of existing business.

**B4. Variance from forecast profit and profit guarantee**

Not applicable.

**B5. Income tax expense**

	Quarter ended		Year-to-date ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Income tax	(2,743)	(2,661)	(4,250)	(5,873)
Deferred tax	(404)	(956)	(162)	(2,784)
	<u>(3,147)</u>	<u>(3,617)</u>	<u>(4,412)</u>	<u>(8,657)</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.



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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

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

There were no other disposal of unquoted investments and/or properties for the financial year ended 30 June 2015.

**B7. Purchase or disposal of quoted securities**

There were no purchase or disposal of quoted securities for the financial year ended 30 June 2015.

**B8. Status of corporate proposals**

There were no pending corporate proposals during the financial period ended 30 June 2015.

**B9. Borrowings and debt securities**

	<b>As at 30.06.2015</b>	
	<b>Current</b>	<b>Non-current</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Secured</b>		
Sukuk Murabahah	206,996	805,416
Term loan	17,576	167,891
Obligations under finance leases and hire purchases	2,061	2,846
RCCLS - liability component	9,709	1,303
Revolving credit	30,850	-
Bank overdraft	3,011	-
	<u>270,203</u>	<u>977,456</u>

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

**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 30 June 2015.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

**B12 Profit for the period**

	<b>Quarter ended 30.06.2015 RM'000</b>	<b>Year-to-date ended 30.06.2015 RM'000</b>
The profit before tax is arrived at after charging / (crediting):		
a) Interest income	(348)	(487)
b) Other income	(1,475)	(2,555)
c) Interest expense	27,893	55,641
d) Depreciation and amortisation	(932)	(1,907)
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	58	(13)
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**

	<b>As at 30.06.2015 RM'000</b>	<b>As at 31.12.2014 RM'000</b>
<b>Group</b>		
Realised	202,137	216,931
Unrealised	113,331	109,422
	<u>315,468</u>	<u>326,353</u>
Consolidation adjustments	(320,904)	(320,579)
Total retained earnings	<u>(5,436)</u>	<u>5,774</u>

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

**B14 Earnings per share ("EPS")**

a) Basic EPS

	Quarter ended		Year-to-date ended	
	30.06.2015	30.06.2014	30.06.2015	30.06.2014
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the parent	(10,603)	1,506	(11,210)	8,863
Weighted average number of ordinary shares in issue	278,645	230,286	278,645	226,700
<b>Basic EPS (sen)</b>	<b>(3.81)</b>	<b>0.65</b>	<b>(4.02)</b>	<b>3.91</b>

b) Diluted EPS

Profit attributable to owners of the parent	(10,603)	1,506	(11,210)	8,863
Effect on earnings upon conversion of RCSLS	-	-	-	-
	(10,603)	1,506	(11,210)	8,863
Weighted average number of ordinary shares in issue	278,645	230,286	278,645	226,700
Effect of dilution	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuable	278,645	230,286	278,645	226,700
<b>Diluted EPS (sen)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The effect on the diluted earnings per share for both the current and preceding financial period arising from the assumed conversion of RCSLS and warrants were anti-dilutive. Accordingly, the diluted earnings per share for the current and preceding financial year were not presented.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS  
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 JUNE 2015**

**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 26 August 2015.

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

**Lee Lay Hong**  
**Nuruluyun Binti Abdul Jabar**  
Company Secretaries

26 August 2015