



ENCORP BERHAD (506836-X)

(Incorporated in Malaysia)

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

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

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

| | Quarter ended | | Year-to-date ended | |
|---|---------------|-----------------|--------------------|--------------|
| | 30.09.2015 | 30.09.2014 | 30.09.2015 | 30.09.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 38,060 | 56,252 | 150,622 | 268,680 |
| Cost of sales | (7,843) | (27,573) | (48,052) | (143,262) |
| Gross profit | 30,217 | 28,679 | 102,570 | 125,418 |
| Other income | 2,112 | 2,134 | 5,113 | 12,692 |
| Marketing and distribution expenses | (448) | (761) | (1,424) | (5,494) |
| Administrative expenses | (8,100) | (9,484) | (19,823) | (30,011) |
| Other expenses | (278) | (1,077) | (937) | (3,071) |
| Finance costs | (24,513) | (29,513) | (79,881) | (87,456) |
| (Loss)/Profit before exceptional items and tax | (1,010) | (10,022) | 5,618 | 12,078 |
| Exceptional items | 11,161 | - | 11,161 | - |
| Income tax expense | (908) | 392 | (5,319) | (8,265) |
| Profit/(Loss) from continued operations, net of tax | 9,243 | (9,630) | 11,460 | 3,813 |
| Loss from discontinued operation, net of tax | (2,347) | - | (14,358) | - |
| Profit/(Loss) net of tax | 6,896 | (9,630) | (2,898) | 3,813 |
| Other comprehensive income, net of tax | | | | |
| Foreign currency translation | (1,537) | (1,279) | (1,315) | (1,003) |
| Total comprehensive income for the year | 5,359 | (10,909) | (4,213) | 2,810 |
| (Loss)/Profit attributable to: | | | | |
| Owners of the parent | 8,176 | (7,436) | (3,034) | 1,417 |
| Non-controlling interest | (1,280) | (2,194) | 136 | 2,396 |
| | 6,896 | (9,630) | (2,898) | 3,813 |
| Total comprehensive income attributable to: | | | | |
| Owners of the parent | 6,639 | (8,715) | (4,349) | 414 |
| Non-controlling interest | (1,280) | (2,194) | 136 | 2,396 |
| | 5,359 | (10,909) | (4,213) | 2,810 |
| Earnings per share attributable to owner of the parent (sen) | | | | |
| Basic | 2.93 | (2.67) | (1.09) | 0.59 |
| 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)
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015**

| | As at 30.09.2015 RM'000 | As at 31.12.2014 RM'000 |
|------------------------------------|--|--|
| Assets | | |
| Non-current assets | | |
| Property, plant and equipment | 8,665 | 22,846 |
| Intangible assets | 24,767 | 24,969 |
| Land held for property development | 46,815 | 45,820 |
| Completed investment property | 343,924 | 343,749 |
| Trade receivables | 830,563 | 960,581 |
| Deferred tax assets | 11,182 | 7,746 |
| | <u>1,265,916</u> | <u>1,405,711</u> |
| Current assets | | |
| Property development costs | 80,902 | 77,587 |
| Inventories | 79,607 | 79,788 |
| Tax recoverable | 10,818 | 6,332 |
| Trade and other receivables | 202,262 | 130,084 |
| Other current assets | 87,046 | 106,062 |
| Investment security | 135,130 | 108,300 |
| Cash and bank balances | 20,365 | 48,047 |
| | <u>616,130</u> | <u>556,200</u> |
| Total assets | <u>1,882,046</u> | <u>1,961,911</u> |

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

| | As at 30.09.2015 RM'000 | As at 31.12.2014 RM'000 |
|--|--|--|
| Equity and liabilities | | |
| Current liabilities | | |
| Trade and other payables | 93,130 | 144,056 |
| Other current liabilities | 2,929 | 33,905 |
| Loans and borrowings | 300,117 | 122,704 |
| Income tax payables | - | 3 |
| | <u>396,176</u> | <u>300,668</u> |
| Non-current liabilities | | |
| Trade payables | 35,914 | 32,577 |
| Loans and borrowings | 970,943 | 1,154,285 |
| Deferred tax liabilities | 6,663 | 2,858 |
| | <u>1,013,520</u> | <u>1,189,720</u> |
| Total liabilities | <u>1,409,696</u> | <u>1,490,388</u> |
| Equity attributable to owners of parent | | |
| Share capital | 278,645 | 278,645 |
| Treasury shares | (327) | (4,559) |
| Share premium | 104,302 | 103,044 |
| Other reserves | 298 | 1,613 |
| Retained profit | 2,740 | 5,774 |
| | <u>385,658</u> | <u>384,517</u> |
| Non-controlling interest | 86,692 | 87,006 |
| Total equity | <u>472,350</u> | <u>471,523</u> |
| Total equity and liabilities | <u>1,882,046</u> | <u>1,961,911</u> |
| | | |
| Net assets per share attributable to owner of the parents (RM) | <u>1.38</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)
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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-TO-DATE ENDED 30 SEPTEMBER 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 |
| At 1 January 2015 | 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 | - | - | - | - | (1,315) | (1,315) | (3,034) | (4,349) | 136 | (4,213) |
| Dividend paid to non-controlling interest | - | - | - | - | - | - | - | - | (450) | (450) |
| Transaction with owners: | | | | | | | | | | |
| Disposal of Treasury Shares | - | 1,258 | 4,232 | - | - | - | - | 5,490 | - | 5,490 |
| At 30 September 2015 | 278,645 | 104,302 | (327) | 3,640 | (3,342) | 298 | 2,740 | 385,658 | 86,692 | 472,350 |
| 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 (restated) | - | - | - | - | (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 |

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

| | Year-to-date ended | |
|---|---------------------------|-----------------|
| | 30.09.15 | 30.09.14 |
| | RM'000 | RM'000 |
| Cash flows from operating activities | | |
| Profit before exceptional items and taxation | 5,618 | 12,078 |
| Adjustments: | | |
| Depreciation | 737 | 2,841 |
| Amortisation of intangible assets | 200 | 230 |
| Loss on disposal of property, plant and equipment | 17 | - |
| Interest expenses | 79,881 | 87,456 |
| Gain on disposal of investment security | (165) | (186) |
| Distribution income from money market investment security | (3,080) | (2,794) |
| Interest income | (583) | (1,096) |
| Fair value gain from investment properties | - | (7,340) |
| Operating profit before working capital changes | 82,625 | 91,189 |
| Changes in working capital: | | |
| Net changes in current assets | 5,042 | (19,884) |
| Net changes in current liabilities | (3,992) | 20,618 |
| Net changes in property development cost | (4,310) | 12,443 |
| Cash generated from operations | 79,365 | 104,366 |
| Income tax paid | (10,252) | (18,171) |
| Interest paid | (5,681) | (5,055) |
| Net cash generated from operating activities | 63,432 | 81,140 |
| Cash flows from investing activities | | |
| Interest received | 583 | 1,096 |
| Purchase of property, plant and equipment | - | (6,927) |
| Purchase of intangible assets | - | (10) |
| Proceeds from disposal of property, plant and equipment | 3,088 | - |
| Additional cost incurred for investment property | - | (20,779) |
| Distribution income received | 3,080 | 2,794 |
| (Increase) / Decrease in investment security | (26,665) | (24,183) |
| Net cash generated from investing activities | (19,914) | (48,009) |

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

| | Year-to-date ended | |
|---|---------------------------|-----------------|
| | 30.09.15 | 30.09.14 |
| | RM'000 | RM'000 |
| Cash flows from financing activities | | |
| Payment of RCSLS Coupon | (476) | (1,925) |
| Repayment of Sukuk Murabahah | (67,044) | (83,807) |
| Withdrawal / (Placement) of deposits pledged | 3,848 | (8,881) |
| Net proceeds from sale of treasury shares | 5,491 | - |
| Net proceeds from loans and borrowings | (3,837) | 29,102 |
| Net (payment) / proceeds from finance lease payable | (1,459) | 1,558 |
| Net cash used in from financing activities | (63,477) | (63,953) |
| Net decrease in cash and cash equivalents | (19,959) | (30,822) |
| Effect of exchange rate changes | (1,314) | (401) |
| Cash and cash equivalents at beginning of period | 35,481 | 66,741 |
| Cash and cash equivalents at end of period | <u>14,208</u> | <u>35,518</u> |
| Cash and cash equivalents comprise the followings: | | |
| Cash deposits placed with: | | |
| - Licensed banks | 4,606 | 9,624 |
| - Licensed corporation | 84 | 84 |
| Cash and bank balances | <u>15,675</u> | <u>44,459</u> |
| | 20,365 | 54,167 |
| Less: Bank overdrafts | (1,466) | (6,023) |
| Bank balances and deposits pledged / designated | <u>(4,691)</u> | <u>(12,626)</u> |
| Cash and cash equivalents at end of period | <u>14,208</u> | <u>35,518</u> |

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.

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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 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 8 September 2015, the Malaysian Accounting Standard Board has announced the adoption of MFRS for the TEs is deferred to 1 January 2018.

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 2018.

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 2018.

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

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 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 September 2015 other than the recognition of gain on disposal of Pembinaan Legenda Unggul Sdn Bhd (formerly known as Encorp Construct Sdn Bhd) ("ECSB") amounting to RM42.7 million and impairment loss on receivables from ECSB amounting to RM31.6 million.

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 September 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 September 2015, the total number of treasury shares held was 386,000.

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

A6. Debt and equity securities (contd.)

b) Repayment of Sukuk Murabahah

| | RM'000 |
|--|---------------|
| Encorp Systembilt Sdn Bhd's ("ESSB") Sukuk Murabahah | 35,000 |

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 September 2015.

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

A8. Segmental information

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

| | Investment holding RM'000 | Concessionaire RM'000 | Property development RM'000 | Investment property RM'000 | Others* RM'000 | Construction (discontinued) RM'000 | Adjustments and Eliminations RM'000 | Consolidated RM'000 |
|-----------------------------------|---------------------------------|--------------------------|-----------------------------------|----------------------------------|-------------------|--|--|------------------------|
| Revenue | | | | | | | | |
| External customers | - | 73,761 | 69,409 | 6,863 | 589 | 28,260 | (28,260) | 150,622 |
| Inter-segment | 5,273 | - | - | 1,322 | 44 | 14,271 | (20,910) | - |
| Total Revenue | 5,273 | 73,761 | 69,409 | 8,185 | 633 | 42,531 | (49,170) | 150,622 |
| Results: | | | | | | | | |
| Segment results | (5,127) | 76,374 | 15,585 | 1,196 | (1,007) | (11,873) | 11,924 | 87,072 |
| Interest income | 66 | 54 | 453 | 8 | - | 23 | (23) | 581 |
| Interest expense | (1,720) | (73,395) | (905) | (5,085) | (28) | (651) | 651 | (81,133) |
| Impairment loss of receivables | (24,696) | - | (4,585) | (20) | (2,251) | - | - | (31,552) |
| Gain on disposal of Subsidiary | - | - | - | - | - | - | 42,713 | 42,713 |
| Depreciation | (631) | - | (89) | (88) | (43) | (1,857) | 1,806 | (902) |
| Profit / (Loss) before tax | (32,108) | 3,033 | 10,459 | (3,989) | (3,329) | (14,358) | 57,071 | 16,779 |

* 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 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 September 2015 up to the date of this report.

A10. Changes in the composition of the Group

On 3 September 2015, Encorp Construction & Infrastructure Sdn Bhd ("ECISB"), a wholly-owned subsidiary of Encorp Berhad had entered into a Share Sale Agreement with Senandung Serbajuta Sdn Bhd for the disposal of 15,000,000 ordinary shares of RM1.00 each representing 100% equity interest in Pembinaan Legenda Unggul Sdn Bhd (formerly known as Encorp Construct Sdn Bhd) ("ECSB").

Pursuant to the disposal, ECSB shall cease to be a subsidiary of ECISB and indirect subsidiary of Encorp Berhad on 3 September 2015.

A11. Changes in contingent liabilities

| | As at 30.09.2015 RM'000 | As at 30.09.2014 RM'000 |
|---|--|--|
| Contingent liabilities: | | |
| Corporate guarantee given to banks for credit facilities granted to subsidiaries | 79,260 | 157,566 |
| Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries | 4,345 | 7,549 |
| Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries | 4 | 6,448 |
| | <u>83,609</u> | <u>171,563</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 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
(3Q15 vs. 3Q14).**

The Group's revenue for the quarter ended 30 September 2015 ("3Q15") decreased by RM18.2 million or 32% to RM38.1 million as compared to RM56.3 million in corresponding quarter ended 30 September 2014 ("3Q14"). This is mainly due the exclusion of the construction revenue arising from the divestment of the construction division undertaken on 3 September 2015. Further details on the divestment are disclosed in Note A10.

The Group recorded a loss before exceptional item and tax of RM1.0 million in 3Q15 as compared to loss before tax of RM10.0 million in 3Q14.

During the current quarter, the Group recognised a gain on disposal of ECSB amounting to RM42.7 million. At the same time, the Group also recognised impairment loss on receivable from ECSB amounting to RM31.6 million pursuant to the voluntary liquidation undertook by ECSB. In view of the nature and the size of both transactions, the Group has classified them as exceptional items in this report.

Property

The Property Development recorded a revenue of RM11.3 million in 3Q15 as compared to revenue of RM12.0 million recorded in 3Q14 and the loss before tax of RM4.3 million in 3Q15 as compared to profit before tax of RM4.2 million in 3Q14. The lower revenue and profit of the division is mainly due to no new project launched during FY2014 and lower sales achieved arising from softer property market conditions.

Investment property

The division recorded a revenue of RM2.3 million in 3Q15 as compared to RM1.6 million in 3Q14. This is due to the occupancy rate for the current quarter is higher than the preceding year corresponding quarter given that Encorp Strand Mall only commenced business in March 2014 and officially launched on 28 May 2014.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR-TO-DATE ENDED 30 SEPTEMBER 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 RM24.3 million in 3Q15 as compared to RM25.3 million in 3Q14.

**b) Performance of the current financial period against the preceding year corresponding
period (9M15 vs. 9M14).**

For the financial period end 30 September 2015 (9M15), the Group's revenue lowered by RM118.1 million or 44% to RM150.6 million as compared to RM268.7 million in corresponding period ended 30 September 2014 (9M14).

Accordingly, the Group recorded a lower profit before exceptional item and tax of RM5.9 million in 9M15 as compared to profit before tax of RM12.1 million in 9M14. 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 RM126.4 million in the preceding year corresponding period to RM69.4 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 RM10.5 million from RM33.2 million.

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

B1. Performance review (cont'd)

b) Performance of the current financial period against the preceding year corresponding period (9M15 vs. 9M14).(cont'd)

Investment property

The division recorded a revenue of RM6.9 million in 9M15 as compared to RM3.4 million in 9M14. 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 RM73.8 million in 9M15 as compared to RM76.5 million in 9M14. 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.

Divestment of Construction Division

On 3 September 2015, the Group has divested its Construction Division. The divestment is part of a rationalization and restructuring exercise undertaken by the Group to dispose of its non-core and loss making subsidiary. ECSB has recorded an accumulated loss of RM43.4 million and net liabilities of RM28.4 million based on its Audited Financial Statements for the financial year ended 31 December 2014.

The Disposal will enable the Group to be relieved of further losses to be incurred from the continuing operations of ECSB. Further, the Disposal is in line with the Group's strategy to realign its focus on property development as core business.

B2. Comparison with Immediate Preceding Quarter

The Group's revenue decreased by RM21 million or 36% to RM38.1 million as compared to RM59.2 million registered in the preceding quarter and recorded a loss before tax of RM0.7 million as compared to RM6.9 million in preceding quarter. The decrease in revenue and loss before tax are mainly due to the de-consolidation of construction division upon the divestment of the division on 3 September 2015.

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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.

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 | |
|--------------|---------------|------------|--------------------|----------------|
| | 30.09.2015 | 30.09.2014 | 30.09.2015 | 30.09.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Income tax | (701) | (1,117) | (4,950) | (6,990) |
| Deferred tax | (207) | 1,509 | (369) | (1,275) |
| | <u>(908)</u> | <u>392</u> | <u>(5,319)</u> | <u>(8,265)</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 year ended 30 September 2015 other than the disposal of 100% equity interest in ECSB by ECISB as disclosed in Note A10.

B7. Purchase or disposal of quoted securities

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

B8. Status of corporate proposals

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

B9. Borrowings and debt securities

| | As at 30.09.2015 | |
|---|-------------------|-----------------------|
| | Current RM'000 | Non-current RM'000 |
| Secured | | |
| Sukuk Murabahah | 229,595 | 805,416 |
| Term loan | 17,398 | 164,111 |
| Obligations under finance leases and hire purchases | 11 | 113 |
| RCLS - liability component | 9,797 | 1,303 |
| Revolving credit | 41,850 | - |
| Bank overdraft | 1,466 | - |
| | <u>300,117</u> | <u>970,943</u> |

B10 Changes in material litigation

The Group has no outstanding material litigation for the quarter ended 30 September 2015.

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B11 Dividends

The Board of Directors did not recommend any dividend for the quarter ended 30 September 2015.

B12 Profit for the period

| | Quarter ended 30.09.2015 RM'000 | Year-to-date ended 30.09.2015 RM'000 |
|---|--|---|
| The profit/loss is arrived at after charging / (crediting): | | |
| a) Interest income | (94) | (581) |
| b) Other income | (2,018) | (4,532) |
| c) Interest expense | 24,513 | 79,881 |
| d) Depreciation and amortisation | (278) | (937) |
| 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 | 30 | 17 |
| 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 | | |
| - Gain on disposal of investment in subsidiary | (42,713) | (42,713) |
| - Impairment on receivables | 31,552 | 31,552 |
| | 31,552 | 31,552 |

N/A denotes as not applicable.

B13 Retained Earnings

| | As at 30.09.2015 RM'000 | As at 31.12.2014 RM'000 |
|---------------------------|--|--|
| Group | | |
| Realised | 209,002 | 216,931 |
| Unrealised | 113,366 | 109,422 |
| | 322,368 | 326,353 |
| Consolidation adjustments | (319,628) | (320,579) |
| Total retained earnings | 2,740 | 5,774 |

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B14 Earnings per share ("EPS")

a) Basic EPS

| | Quarter ended | | Year-to-date ended | |
|---|---------------|---------------|--------------------|-------------|
| | 30.09.2015 | 30.09.2014 | 30.09.2015 | 30.09.2014 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit/(Loss) attributable to owners of the parent | 8,176 | (7,436) | (3,034) | 1,417 |
| Weighted average number of ordinary shares in issue | 278,645 | 278,588 | 278,645 | 240,803 |
| Basic EPS (sen) | 2.93 | (2.67) | (1.09) | 0.59 |

b) Diluted EPS

| | | | | |
|---|----------|----------|----------|----------|
| Profit/(Loss) attributable to owners of the parent | 8,176 | (7,436) | (3,034) | 1,417 |
| Effect on earnings upon conversion of RCSLS | - | - | - | - |
| | 8,176 | (7,436) | (3,034) | 1,417 |
| Weighted average number of ordinary shares in issue | 278,645 | 278,588 | 278,645 | 240,803 |
| Effect of dilution | - | - | - | - |
| Adjusted weighted average number of ordinary shares in issue and issuable | 278,645 | 278,588 | 278,645 | 240,803 |
| Diluted EPS (sen) | - | - | - | - |

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.

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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 26 November 2015.

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

Lee Lay Hong
Nuruluyun Binti Abdul Jabar
Company Secretaries

26 November 2015