



ENCORP BERHAD (506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR
ENDED 31 DECEMBER 2015**

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

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2015**

	Quarter ended		Year ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014 (Audited)
	RM'000	RM'000	RM'000	RM'000
Revenue	65,422	61,705	216,044	330,385
Cost of sales	(17,703)	(55,054)	(65,755)	(198,316)
Gross profit	47,719	6,651	150,289	132,069
Other income	10,013	-	15,126	9,523
Marketing and distribution expenses	(1,506)	(2,576)	(2,930)	(8,070)
Administrative expenses	(10,694)	(2,451)	(30,294)	(32,462)
Other expenses	(264)	(3,133)	(1,201)	(6,204)
Finance costs	(30,244)	(27,984)	(110,125)	(115,440)
Profit/(Loss) before exceptional items and tax	15,024	(29,493)	20,865	(20,584)
Exceptional items	1,431	42,714	12,592	45,883
Profit before tax	16,455	13,221	33,457	25,299
Income tax expense	(7,534)	(3,094)	(12,853)	(11,359)
Profit from continued operations, net of tax	8,921	10,127	20,604	13,940
Loss from discontinued operation, net of tax	-	-	(14,581)	-
Profit net of tax	8,921	10,127	6,023	13,940
Other comprehensive income, net of tax				
Foreign currency translation	(92)	23	(1,407)	(980)
Total comprehensive income for the year	8,829	10,150	4,616	12,960
(Loss)/Profit attributable to:				
Owners of the parent	4,387	9,109	1,353	10,526
Non-controlling interest	4,534	1,018	4,670	3,414
	8,921	10,127	6,023	13,940
Total comprehensive income attributable to:				
Owners of the parent	4,295	9,132	(54)	9,546
Non-controlling interest	4,534	1,018	4,670	3,414
	8,829	10,150	4,616	12,960
Earnings per share attributable to owner of the parent (sen)				
Basic	1.57	3.27	0.49	4.20
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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015**

	As at 31.12.2015 RM'000	(Audited) As at 31.12.2014 RM'000
Assets		
Non-current assets		
Property, plant and equipment	8,278	22,846
Intangible assets	25,238	24,969
Land held for property development	89,576	45,820
Completed investment property	351,860	343,749
Trade receivables	922,531	960,581
Deferred tax assets	12,209	7,746
	<u>1,409,692</u>	<u>1,405,711</u>
Current assets		
Property development costs	63,843	77,587
Inventories	75,107	79,788
Tax recoverable	6,501	6,332
Trade and other receivables	90,346	130,084
Other current assets	145,485	106,062
Investment security	109,619	108,300
Cash and bank balances	16,786	48,047
	<u>507,687</u>	<u>556,200</u>
Total assets	<u>1,917,379</u>	<u>1,961,911</u>

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2015 (contd.)**

	As at 31.12.2015 RM'000	(Audited) As at 31.12.2014 RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	154,334	144,056
Other current liabilities	29,102	33,905
Loans and borrowings	123,725	122,704
Income tax payables	10	3
	<u>307,171</u>	<u>300,668</u>
Non-current liabilities		
Trade payables	13,336	32,577
Loans and borrowings	1,107,507	1,154,285
Deferred tax liabilities	8,186	2,858
	<u>1,129,029</u>	<u>1,189,720</u>
Total liabilities	<u>1,436,200</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	206	1,613
Retained profit	7,127	5,774
	<u>389,953</u>	<u>384,517</u>
Non-controlling interest	91,226	87,006
Total equity	<u>481,179</u>	<u>471,523</u>
Total equity and liabilities	<u>1,917,379</u>	<u>1,961,911</u>
Net assets per share attributable to owner of the parents (RM)	<u>1.40</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.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR-TO-DATE ENDED 31 DECEMBER 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	-	-	-	-	(1,407)	(1,407)	1,353	(54)	4,670	4,616
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(450)	(450)
Transaction with owners:										
Disposal of Treasury Shares	-	1,258	4,232	-	-	-	-	5,490	-	5,490
At 31 December 2015	278,645	104,302	(327)	3,640	(3,434)	206	7,127	389,953	91,226	481,179
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)	-	-	-	-	(980)	(980)	10,526	9,546	3,414	12,960
Transaction with owners:										
Dividend paid	-	-	-	-	-	-	(8,198)	(8,198)	-	(8,198)
Issuance of ordinary shares:										
- Conversion of RCSLS	53,789	604	-	-	-	-	-	54,393	-	54,393
At 31 December 2014	278,645	103,044	(4,559)	3,640	(2,027)	1,613	5,774	384,517	87,006	471,523

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 ENDED 31 DECEMBER 2015**

	Year-to-date ended	
	31.12.15	31.12.14 (Audited)
	RM'000	RM'000
Cash flows from operating activities		
Profit before taxation	33,457	25,299
Adjustments:		
Depreciation	922	4,703
Amortisation of intangible assets	278	294
(Gain)/Loss on disposal of property, plant and equipment	17	(10)
Impairment for land held for property development	-	1,196
Impairment on investment properties	8,449	-
Impairment of trade receivables	41,668	1,431
Interest expenses	110,125	115,440
Gain on disposal of investment security	(286)	(310)
Distribution income from money market investment security	(4,123)	(3,718)
Interest income	(1,907)	(2,788)
Gain on disposal of subsidiary	(43,425)	-
Fair value gain from investment properties	(17,125)	(45,883)
Provision for short term accumulating compensated absences	-	22
Write down of inventories	-	986
Finance income - other liabilities at amortised costs	-	574
Unwinding of discount on other liabilities at amortised costs	(2,487)	(886)
Operating profit before working capital changes	125,563	96,350
Changes in working capital:		
Net changes in current assets	49,353	20,947
Net changes in current liabilities	(34,383)	(15,638)
Net changes in property development cost	(19,482)	62,614
Cash generated from operations	121,051	164,273
Income tax paid	(12,820)	(26,202)
Interest paid	(10,390)	(10,657)
Net cash generated from operating activities	97,841	127,414

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2015 (contd.)**

	Year-to-date ended	
	31.12.15	31.12.14 (Audited)
	RM'000	RM'000
Cash flows from investing activities		
Interest received	1,907	2,788
Purchase of property, plant and equipment	(619)	(4,681)
Purchase of intangible assets	-	(98)
Proceeds from disposal of property, plant and equipment	687	773
Transfer to completed investment properties	-	9,541
Distribution income received	4,122	3,718
(Increase) / Decrease in investment security	(1,105)	7,818
Net cash generated from investing activities	4,992	19,859
Cash flows from financing activities		
Payment of RCSLS Coupon	(634)	(2,083)
Dividends paid to - shareholders of the company	-	(8,198)
Repayment of Sukuk Murabahah	(138,926)	(151,877)
Withdrawal / (Placement) of deposits pledged	4,011	(5,878)
Net proceeds from sale of treasury shares	5,491	-
Net proceeds from loans and borrowings	4,170	(5,940)
Net (payment) / proceeds from finance lease payable	(97)	(3,664)
Net cash used in from financing activities	(125,985)	(177,640)
Net decrease in cash and cash equivalents	(23,152)	(30,367)
Effect of exchange rate changes	(1,406)	(893)
Cash and cash equivalents at beginning of period	35,481	66,741
Cash and cash equivalents at end of period	10,923	35,481
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	4,232	9,988
- Licensed corporation	2,191	62
Cash and bank balances	10,363	37,997
	16,786	48,047
Less: Bank overdrafts	(1,486)	(4,178)
Bank balances and deposits pledged / designated	(4,377)	(8,388)
Cash and cash equivalents at end of period	10,923	35,481

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 ENDED 31 DECEMBER 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 ENDED 31 DECEMBER 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 ENDED 31 DECEMBER 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 year ended 31 December 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, impairment loss on receivables from ECSB amounting to RM39.5 million and increase in fair value of investment properties of RM8.7million.

A6. Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities for the financial year ended 31 December 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 31 December 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 ENDED 31 DECEMBER 2015**

A6. Debt and equity securities (contd.)

b) Repayment of Sukuk Murabahah

Encorp Systembilt Sdn Bhd's ("ESSB") Sukuk Murabahah

RM'000
75,000

The next repayment of Sukuk Murabahah is scheduled in May 2016

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 year ended 31 December 2015.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2015**

A8. Segmental information

The Group's segment revenue and results are presented by industry segments for the year ended 31 December 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	-	97,859	108,085	9,403	697	28,260	(28,260)	216,044
Inter-segment	7,771	-	-	1,654	-	14,271	(23,696)	-
Total Revenue	7,771	97,859	108,085	11,057	697	42,531	(51,956)	216,044
Results:								
Segment results	(66,783)	101,152	34,762	1,141	(1,762)	(14,319)	78,253	132,444
Interest income	84	96	1,708	10	9	-	-	1,907
Interest expense	(3,800)	(97,540)	(1,987)	(6,591)	(207)	-	-	(110,125)
Impairment loss of receivables	(32,418)	-	(4,585)	(2,160)	(2,505)	-	-	(41,668)
Gain on disposal of Subsidiary	43,424	-	-	-	-	-	-	43,424
Changes in fair value of investment properties	-	-	-	20,230	-	-	(3,105)	17,125
Depreciation and amortisation	(9,180)	-	(118)	(118)	(133)	-	(101)	(9,650)
Profit / (Loss) before tax	(68,673)	3,708	29,780	12,512	(4,598)	(14,319)	75,047	33,457

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2015**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A9. Material events subsequent to the balance sheet date

On 20 January 2016, Encorp Bukit Katil Sdn Bhd, a wholly-owned subsidiary of the Company, had entered into a master development agreement with Felda, in which, Encorp Bukit Katil accepts the development rights from Felda for the development of one (1) plot of Land in Melaka, namely a parcel of leasehold land measuring approximately 640.98 acres held under PN 43209, Lot No.6934 Mukim Bukit Katil, District of Melaka Tengah in the State of Melaka for a total cash consideration of RM583.6 million.

Except for the above, there were no material events subsequent to the financial year ended 31 December 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 the Company 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 ECSB.

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

On 28 December 2015, Red Carpet Avenue Sdn Bhd ("RCASB"), a 70%-owned indirect subsidiary of the Company, had disposed of 60 ordinary shares of RM1.00 each representing 60% equity interest of Etika Tranquerah Sdn Bhd ("ETQSB") for a total cash consideration of RM300,000.

A11. Changes in contingent liabilities

	As at 31.12.2015 RM'000	As at 31.12.2014 RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	73,088	122,336
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	3,607	5,814
Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries	353	3,229
	<u>77,048</u>	<u>131,379</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 ENDED 31 DECEMBER 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
(4Q15 vs. 4Q14).**

The Group's revenue for the quarter ended 31 December 2015 ("4Q15") increased by RM3.7 million or 6% to RM65.4 million as compared to RM61.7 million in corresponding quarter ended 31 December 2014 ("4Q14"). The increase in revenue was mainly due to higher progress of works achieved by the Property Division as compared to the corresponding quarter.

The Group recorded a profit before exceptional items and tax of RM15.0 million in 4Q15 as compared to loss before exceptional items and tax of RM29.5 million in 4Q14.

During the current quarter, the Group recognised a gain on investment properties fair value of RM8.7 million as a result of the valuation carried out by an independent valuer. The Group has recognised an impairment loss of RM7.3 million on receivable from ECSB in addition to the RM31.6 million impairment loss recognised in last quarter. 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 RM38.7 million in 4Q15 as compared to revenue of RM17.4 million recorded in 4Q14 and the profit before tax of RM19.3 million in 4Q15 as compared to loss before tax of RM6.6 million in 4Q14. The increase in revenue and profit was mainly due to higher progress of works achieved by the Property Division as compared to the corresponding quarter and sales achieved from the newly launched residential project.

Investment property

The division recorded a revenue of RM2.5 million in 4Q15 as compared to RM1.4 million in 4Q14. 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 ENDED 31 DECEMBER 2015**

B1. Performance review (cont'd)

**a) Performance of the current quarter against the preceding year corresponding quarter
(4Q15 vs. 4Q14) (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 RM24.1 million in 4Q15 as compared to RM25.1 million in 4Q14.

**b) Performance of the current financial year against the preceding financial
year (FY15 vs. FY14)**

For the financial year end 31 December 2015 (FY15), the Group's revenue lowered by RM114.3 million or 35% to RM216.0 million as compared to RM330.4 million in corresponding financial year ended 31 December 2014 (FY14). 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 profit before exceptional items and tax of RM20.9 million in FY15 as compared to loss before exceptional item tax of RM20.6 million in FY14. The improvement in the Group's profit is due to the divestment of the construction division as the losses in FY14 was mainly attributed to the construction division.

Property

The revenue of property division decreased from RM144.3 million in the preceding financial year to RM108.1 million in the current financial year. The decrease was mainly due to no new project launched during FY2014 and lower sales achieved arising from softer property market conditions. However, the profit before tax for the division also increased from RM26.6 million to RM29.9 million due to cost saving from the cost rationalisation exercise carried out by the management.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2015**

B1. Performance review (cont'd)

**b) Performance of the current financial year against the preceding financial
year (FY15 vs. FY14)**

Investment property

The division recorded a revenue of RM9.4 million in FY15 as compared to RM4.8 million in FY14. This is due to the commencement of business in March 2014 for Encorp Strand Mall couple with higher occupancy rate in this financial year.

Concession

The concession division recorded revenue of RM97.9 million in FY15 as compared to RM101.5 million in FY14. 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 ECSB

On 3 September 2015, the Group has divested ECSB. The divestment is part of a rationalization and restructuring exercise undertaken by the Group to dispose of its 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.

B2. Comparison with Immediate Preceding Quarter

The Group's revenue increased by RM27.4 million or 72% to RM65.4 million as compared to RM38.1 million registered in the preceding quarter and recorded a profit before exceptional items and tax of RM15.0 million as compared to loss before exceptional items and tax of RM1.0 million in preceding quarter. The increase in revenue and profit before tax are mainly due to the higher progress of works achieved by the Property Division in current quarter.

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**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2015**

B3. Commentary on prospects

Whilst the potential slower growth in global economy, sluggish world trade and the global crude oil prices sliding to new multi-year lows, the Malaysia's economy for year 2016 is expected to slow down with estimated gross domestic product growth of 4.7%.

The property sector is expected to continue to be subdued for year 2016 and facing challenges such as stringent lending rules imposed by banks and over supply in certain property sub-sector market.

With these challenges ahead, the Group will continue its focus on measures to increase rational 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 ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Income tax	(6,300)	(4,550)	(11,988)	(11,540)
Deferred tax	(1,234)	1,456	(865)	181
	<u>(7,534)</u>	<u>(3,094)</u>	<u>(12,853)</u>	<u>(11,359)</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 ENDED 31 DECEMBER 2015**

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 2015 other than the disposal of equity interest in ECSB and ETQSB 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 31 December 2015.

B8. Status of corporate proposals

There were no pending corporate proposals during the financial year ended 31 December 2015.

B9. Borrowings and debt securities

	As at 31.12.2015	
	Current RM'000	Non-current RM'000
Secured		
Sukuk Murabahah	42,435	944,841
Term loan	22,727	162,589
Obligations under finance leases and hire purchases	36	77
RCLS - liability component	11,191	-
Revolving credit	45,850	-
Bank overdraft	1,486	-
	<u>123,725</u>	<u>1,107,507</u>

B10 Changes in material litigation

The Group has no outstanding material litigation for the financial year ended 31 December 2015.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2015**

B11 Dividends

The Board of Directors did not recommend any dividend for the quarter ended 31 December 2015.

B12 Profit for the period

	Quarter ended 31.12.2015 RM'000	Year-to-date ended 31.12.2015 RM'000
The profit/loss is arrived at after charging / (crediting):		
a) Interest income	(1,326)	(1,907)
b) Other income	(8,687)	(13,219)
c) Interest expense	30,244	110,125
d) Depreciation and amortisation	(264)	(1,201)
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	-	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	-	(42,725)
- Impairment on receivables	7,257	38,809
- Increase in fair value of investment properties	(8,676)	(8,676)
	<u> </u>	<u> </u>

N/A denotes as not applicable.

B13 Retained Earnings

	As at 31.12.2015 RM'000	As at 31.12.2014 RM'000
Group		
Realised	172,729	216,931
Unrealised	156,481	109,422
	<u>329,210</u>	<u>326,353</u>
Consolidation adjustments	(322,083)	(320,579)
Total retained earnings	<u>7,127</u>	<u>5,774</u>

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR ENDED 31 DECEMBER 2015**

B14 Earnings per share ("EPS")

a) Basic EPS

	Quarter ended		Year-to-date ended	
	31.12.2015	31.12.2014	31.12.2015	31.12.2014
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to owners of the parent	4,387	9,109	1,353	10,526
Weighted average number of ordinary shares in issue	278,645	278,645	278,645	250,637
Basic EPS (sen)	1.57	3.27	0.49	4.20

b) Diluted EPS

Profit/(Loss) attributable to owners of the parent	4,387	9,109	1,353	10,526
Effect on earnings upon conversion of RCSLS	-	-	-	-
	4,387	9,109	1,353	10,526
Weighted average number of ordinary shares in issue	278,645	278,645	278,645	250,637
Effect of dilution	-	-	-	-
Adjusted weighted average number of ordinary shares in issue and issuable	278,645	278,645	278,645	250,637
Diluted EPS (sen)	-	-	-	-

The effect on the diluted earnings per share for both the current financial period and corresponding 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 ENDED 31 DECEMBER 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 29 February 2016.

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

Lee Lay Hong
Nuruluyun Binti Abdul Jabar
Company Secretaries

29 February 2016