



(506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER AND YEAR TO DATE
ENDED 30 JUNE 2016**

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER AND YEAR TO DATE ENDED 30 JUNE 2016**

	Quarter ended		Year-to-date ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	90,400	59,188	135,524	127,824
Cost of sales	(42,313)	(31,666)	(54,803)	(64,517)
Gross profit	48,087	27,522	80,721	63,307
Other income	4,525	1,823	6,396	3,042
Marketing and distribution expenses	(1,136)	(488)	(1,559)	(976)
Administrative expenses	(9,235)	(6,888)	(15,205)	(13,207)
Other expenses	(193)	(932)	(428)	(1,907)
Finance costs	(26,939)	(27,893)	(53,904)	(55,641)
Profit / (Loss) before tax	15,109	(6,856)	16,021	(5,382)
Income tax expense	(6,701)	(3,147)	(7,257)	(4,412)
Profit / (Loss) net of tax	8,408	(10,003)	8,764	(9,794)
Other comprehensive income, net of tax				
Foreign currency translation	(31)	(14)	795	222
Total comprehensive income for the year	8,377	(10,017)	9,559	(9,572)
Profit / (Loss) attributable to:				
Owners of the parent	7,253	(10,603)	7,677	(11,210)
Non-controlling interest	1,155	600	1,087	1,416
	8,408	(10,003)	8,764	(9,794)
Total comprehensive income attributable to:				
Owners of the parent	7,222	(10,617)	8,472	(10,988)
Non-controlling interest	1,155	600	1,087	1,416
	8,377	(10,017)	9,559	(9,572)
Earnings per share attributable to owner of the parent (sen)				
Basic	2.60	(3.81)	2.76	(4.02)
Diluted	N/A	-	N/A	-

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 2015 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 2016**

	As at 30.06.2016	As at 31.12.2015
	RM'000	RM'000
Assets		
Non-current assets		
Property, plant and equipment	7,207	7,536
Intangible assets	25,135	25,234
Land held for property development	92,229	93,028
Completed investment property	324,860	324,860
Trade receivables	924,864	922,472
Deferred tax assets	1,989	4,339
	<u>1,376,284</u>	<u>1,377,469</u>
Current assets		
Property development costs	76,435	73,347
Inventories	68,954	69,737
Tax recoverable	6,592	8,981
Trade and other receivables	125,750	90,194
Other current assets	60,509	113,345
Investment security	85,534	109,961
Cash and bank balances	16,403	17,690
	<u>440,177</u>	<u>483,255</u>
Asset of disposal group classified as held for sale	1,244	28,224
	<u>441,421</u>	<u>511,479</u>
Total assets	<u>1,817,705</u>	<u>1,888,948</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2016 (contd.)**

	As at 30.06.2016	As at 31.12.2015
	RM'000	RM'000
Equity and liabilities		
Current liabilities		
Trade and other payables	101,398	145,597
Provision	10,243	10,243
Other current liabilities	640	3,692
Loans and borrowings	319,885	136,022
Income tax payables	9	10
	<u>432,175</u>	<u>295,564</u>
Liabilities directly associated with disposal group classified as held for sale	1,251	1,251
	<u>433,426</u>	<u>296,815</u>
Non-current liabilities		
Trade payables	4,819	7,730
Loans and borrowings	881,929	1,094,855
Deferred tax liabilities	2,471	4,050
	<u>889,219</u>	<u>1,106,635</u>
Total liabilities	<u>1,322,645</u>	<u>1,403,450</u>
Equity attributable to owners of parent		
Share capital	278,648	278,645
Treasury shares	(327)	(327)
Share premium	104,302	104,302
Other reserves	1,737	4,582
Retained profit	18,471	7,154
	<u>402,831</u>	<u>394,356</u>
Non-controlling interest	92,229	91,142
Total equity	<u>495,060</u>	<u>485,498</u>
Total equity and liabilities	<u>1,817,705</u>	<u>1,888,948</u>
Net assets per share attributable to owner of the parents (RM)	<u>1.45</u>	<u>1.42</u>

The above consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2016**

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 2016	278,645	104,302	(327)	3,640	942	4,582	7,154	394,356	91,142	485,498
Total comprehensive income for the period	-	-	-	-	795	795	7,677	8,472	1,087	9,559
Transaction with owners:										
Transfer to retained profit upon expiry of warrants.	-	-	-	(3,640)	-	(3,640)	3,640	-	-	-
Conversion of RCCLS	3	-	-	-	-	-	-	3	-	3
At 30 June 2016	278,648	104,302	(327)	-	1,737	1,737	18,471	402,831	92,229	495,060
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 (restated)	-	-	-	-	(14)	(14)	(10,603)	(10,617)	600	(10,017)
Transaction with owners:										
Disposal of Treasury Shares	-	1,258	4,232	-	-	-	-	5,490	-	5,490
At 30 June 2015	278,645	104,302	(327)	3,640	(2,041)	1,599	(4,829)	379,390	87,606	466,996

The above consolidated statement of changes in equity should be read in conjunction with the audited financial statement for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016**

	Year-to-date ended	
	30.06.2016	30.06.2015
	RM'000	RM'000
Cash flows from operating activities		
Profit / (Loss) before taxation	16,021	(5,382)
Adjustments:		
Depreciation	329	1,757
Amortisation of intangible assets	99	149
Loss on disposal of property, plant and equipment	-	13
Interest expenses	53,904	55,641
Gain on disposal of investment security	(249)	(144)
Distribution income from money market investment security	(2,140)	(2,039)
Interest income	(365)	(488)
Operating profit before working capital changes	67,599	49,507
Changes in working capital:		
Net changes in current assets	43,450	1,986
Net changes in current liabilities	(50,162)	8,255
Net changes in property development cost	(3,088)	2,706
Cash generated from operations	57,799	62,454
Income tax paid	(4,098)	(7,114)
Interest paid	(5,134)	(4,364)
Net cash generated from operating activities	48,567	50,976

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2016 (contd.)**

	Quarter ended	
	30.06.2016	30.06.2015
	RM'000	RM'000
Cash flows from investing activities		
Interest received	365	488
Proceeds from disposal of property, plant and equipment	-	1,072
Distribution income received	2,140	2,039
Decrease / (Increase) in investment security	24,427	(9,521)
Net cash generated from investing activities	26,932	(5,922)
Cash flows from financing activities		
Redemption of RCSLS and payment of RCSLS Coupon	(11,191)	(318)
Repayment of loans & borrowing	-	(10,880)
Repayment of Sukuk Murabahah	(70,733)	(67,044)
Withdrawal of deposits pledged	-	1,312
Net proceeds from sale of treasury shares	-	5,491
Draw down from loans and borrowings	1,112	-
Net payment of finance hire purchase	(32)	(1,199)
Net cash used in from financing activities	(80,844)	(72,638)
Net decrease in cash and cash equivalents	(5,345)	(27,584)
Effect of exchange rate changes	992	222
Cash and cash equivalents at beginning of period	12,106	35,481
Cash and cash equivalents at end of period	7,753	8,119
Cash and cash equivalents comprise the followings:		
Cash deposits placed with:		
- Licensed banks	2,661	6,954
- Licensed corporation	4,501	28
Cash and bank balances	9,241	11,224
	16,403	18,206
Less: Bank overdrafts	(1,488)	(3,011)
Bank balances and deposits pledged / designated	(7,162)	(7,076)
Cash and cash equivalents at end of period	7,753	8,119

The above consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2016**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134

A1. Basis of preparation

The condensed consolidated interim financial statements (“Condensed Report”), other than for financial instruments have been prepared under the historical cost convention. Financial instruments are carried at fair value in accordance to Financial Reporting Standard (“FRS”) 9 *Financial Instrument* and FRS 139 *Financial Instruments: Recognition and Measurement*.

This Condensed Report has also 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.

This Condensed Report should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015. The explanatory notes attached to the Condensed Report 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 2015.

A2. Significant accounting policies

The significant accounting policies adopted in the preparation of the Condensed Report are consistent with those used in preparing the audited financial statements for the year ended 31 December 2015, except for 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 2016.

a) Standards Amendments and Annual Improvement to standards effective for the financial periods 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

Amendments to FRS 127: Equity Method in Separate Financial Statements

Amendments 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

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 (contd.)

A2. Significant accounting policies (cont'd)

b) FRS, IC Interpretations and Amendments to IC Interpretation but not yet effective

Effective for financial periods beginning on or after 1 January 2018

FRS 9: Financial Instruments
FRS 15 Revenue from Contracts with Customers

c) New Malaysian Financial Reporting Framework

On 19 November 2011, the Malaysian Accounting Standards Board (MASB) issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards (MFRS Framework).

The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 Agriculture (MFRS 141) and IC Interpretation 15 Agreements for Construction of Real Estate (IC 15), including its parent, significant investor and venturer (herein called "Transitioning Entities").

Transitioning Entities are allowed to defer adoption of the new MFRS Framework for an additional two years. Consequently, adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2017.

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in its first MFRS financial statements for the year ending 31 December 2017. In presenting its first MFRS financial statements, the Group and the Company will be required to adjust the comparative financial statements prepared under the FRS to amounts reflecting the application of MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings. The Group has opted to defer the adoption of the MFRS Framework to the financial period beginning on 1 January 2017.

A3. Auditors' Report on Preceding Annual Financial Statements

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2016 (contd.)**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 (contd.)

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 quarter ended 30 June 2016.

A6. Debt and equity securities

There were no issuances, cancellation, repurchases, resale and repayments of debt and equity securities for the quarter ended 30 June 2016 except for the following:

a) Treasury shares

As at 30 June 2016, the total number of treasury shares held was 386,000.

b) Sukuk Murabahah

The next Sukuk Murabahah principal and profit payment amounting to RM65.2 million is scheduled in November 2016.

The Sukuk Murabahah was issued by a subsidiary company, ESSB to refinance the entire amount outstanding under ABBA Notes and to fund the Trustee' Reimbursement Account. The Sukuk Murabahah is secured by the assignment of the contract Concession Payments and the Project Escrow Account, and a negative pledge on all assets of ESSB. ESSB is a special purpose vehicle and these Sukuk Murabahah raised do not have any financial recourse to the Group.

c) Redeemable Convertible Secured Loan Stocks (RCSLS)

The RCSLS has matured on 17 March 2016 ("Maturity Date"). 10,566,780 RCSLS which were not converted by the maturity date have been redeemed by Encorp at 105.95% of the nominal value of such RCSLS.

d) Warrant 2011/2016

The warrants have expired on 17 March 2016 ("Expiry Date"). Any warrants which were not exercised by the Expiry Date have been lapsed and become null and void and ceased to be valid for any purpose.

A7. Dividend paid

No dividend was paid during the quarter ended 30 June 2016.

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(Incorporated in Malaysia)

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2016 (contd.)**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 (contd.)

A8. Segmental information

The Group's segment revenue and results are presented by industry segments for the year ended 30 June 2016 as follows: -

	Investment holding RM'000	Concessionaire RM'000	Property development RM'000	Investment property RM'000	Facilities management RM'000	Others* RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
Revenue								
External customers	-	47,427	79,110	3,043	4,070	1,874	-	135,524
Inter-segment	6,757	-	-	732	-	-	(7,489)	-
Total Revenue	6,757	47,427	79,110	3,775	4,070	1,874	(7,489)	135,524
Results:								
Segment results	(3,321)	49,100	25,843	(299)	448	(711)	(1,073)	69,988
Interest income	645	38	321	2	-	-	(641)	365
Interest expense	(1,440)	(48,770)	(1,210)	(3,074)	-	(51)	641	(53,904)
Depreciation and amortisation	(278)	-	(39)	(60)	-	-	(51)	(428)
Profit / (Loss)before tax	(4,394)	368	24,915	(3,431)	448	(762)	(1,124)	16,021

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2016 (contd.)**

PART A: EXPLANATORY NOTES PURSUANT TO FRS 134 (contd.)

A9. Material events subsequent to the balance sheet date

On 27 April 2016, the Company has entered into Sale and Purchase Agreements (“SPA”) with Koperasi Permodalan Felda Malaysia Berhad to dispose a block of office suites within the commercial development known as Garden Office @ Encorp Strand for a total cash consideration of RM27 million plus 6% Goods and Services Tax.

Other than the above, there was no material events subsequent to the financial period ended 30 June 2016 up to the date of this report.

A10. Changes in the composition of the Group

On 8 January 2016, Encorp Must Sdn Bhd (“EMSB”), a wholly-owned subsidiary of the Company, acquired 2 ordinary shares of RM1.00 each fully paid-up in the capital of Encorp Bukit Katil Sdn Bhd (“EBKSB”) at a total purchase consideration of RM2.00 only from Dato’ Haji Zakaria bin Nordin and Encik Wan Azman bin Wan Abbas (the “Acquisition”).

Following the Acquisition, EBKSB became an indirect wholly-owned subsidiary of Encorp. The Acquisition is intended for Encorp’s future expansion in its core business of property development.

EBKSB was incorporated as a private company limited by shares on 14 December 2015. The authorised share capital of EBKSB is RM400,000 divided into 400,000 ordinary shares of RM1.00 each. The issued and paid-up share capital of EBKSB is RM2.00 divided into 2 ordinary shares of RM1.00 each. EBKSB has not commenced business since its incorporation.

A11. Changes in contingent liabilities

	As at 30.06.2016 RM'000	As at 30.06.2015 RM'000
Contingent liabilities:		
Corporate guarantee given to banks for credit facilities granted to subsidiaries	50,429	87,345
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	-	4,345
Corporate guarantee given to suppliers in favour of credit facility granted to subsidiaries	-	3,643
	<u>50,429</u>	<u>95,333</u>

A6. Capital commitments

There was 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.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2016 (contd.)**

**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 (2Q16 vs. 2Q15).

The Group's revenue for the quarter ended 30 June 2016 ("2Q16") increased by RM31.2 million or 53% to RM90.4 million as compared to RM59.2 million in corresponding quarter ended 30 June 2015 ("2Q15"). Accordingly, the Group recorded a profit before tax of RM15.1 million in 2Q16 as compared to loss before tax of RM6.9 million in 2Q15.

The improvement in the Group's results for the current quarter under review is significantly attributable to the successful catch-up plans implemented by the management for Encorp Marina Puteri Harbour project since beginning of 2016. The profit recorded for the current quarter is also a result of the continuous effort of the management to rationalise and manage the direct and indirect cost of the Group.

Property Development

The revenue of the Property Development Division is RM62.8 million for 2Q16 as compared to revenue of RM28.4 million for 2Q15. The profit before tax of the division for 2Q16 was RM21.4 million as compared to profit before tax of RM8.9 million in 2Q15. The increase in both revenue and profit is the results of the catch-up plan implemented by the management for Encorp Marina Puteri Harbour project. With the success of this catch-up plan, the progress of Encorp Marina Puteri Harbour project is back on track.

Investment Property

The division's revenue for 2Q16 is RM1.5 million, which has decreased by RM1.3 million compared to RM2.4 million in 2Q15. This is due to the higher rebate granted to tenants as a result of tougher rental environment for the current quarter as compared to the preceding year corresponding quarter.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2016 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

Concessionaire

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 revenue and loss before tax of RM23.6 million and RM0.1 million respectively in 2Q16 as compared to revenue and profit before tax of RM24.6 million and RM3 thousand respectively in 2Q15.

Facilities Management

The facilities management division is a newly set up division of the Group. The principal activity of this division is to provide upkeep and maintenance services to investment property assets of the Group.

For the quarter under review, the division recorded a revenue of RM2 million and a profit before tax of RM209,000.

b. Performance of the current financial period against the preceding year financial period (6M16 vs. 6M15).

For the six month period ended 30 June 2016 ("6M16"), the Group's revenue of RM135.5 million is RM7.7 million or 6% higher than revenue recorded in preceding year financial period of RM127.8 million. The increase in revenue is contributed from higher progress of work achieved in Property Development Division

The Group recorded a profit before tax of RM16.0 million in 6M16 as compared to a loss after tax of RM5.4 million in 6M15. The increase profit is mainly due to achievement in Property Division's work progress as a result of the catch-up plan implemented by the management and cost rationalisation exercise adopted by the management.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2016 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA**

B2. Performance review (contd.)

Property Development

The revenue of the Property Development Division is RM79.1 million for 6M16 as compared to revenue of RM58.1 million for 6M15. The profit before tax of the division for current period is RM24.9 million as compared to the profit before tax of RM14.8 million in 6M15. The increase in both revenue and profit is the results of the catch-up plan implemented by the management for Encorp Marina Puteri Harbour project since beginning of 2016.

Investment Property

The division's revenue for the current financial period is RM3.0 million versus RM4.6 million in 6M15. The drop is the result of higher rebate granted to tenants due to tougher retail environment in the current financial period.

Concessionaire

The concession division recorded revenue and loss before tax of RM47.4 million and RM0.4 million respectively in 6M16 as compared to revenue and profit before tax of RM49.4 million and RM.3 million respectively in 6M15.

Facilities Management

The facilities management division is a newly set up division of the Group. The principal activity of this division is to provide upkeep and maintenance services to investment property assets of the Group.

B3. Comparison with Immediate Preceding Quarter

The Group's revenue has increased by RM45.3 million or 100% to RM90.0 million in current quarter as compared to RM45.1 million registered in the preceding quarter. The increase in revenue is mainly due higher work progress achieved by property development projects especially the Encorp Marina Puteri Harbour project during the current quarter under review.

Correspondingly the profit before tax of the Group for current quarter was RM15.1 million as compared to profit before tax of RM0.9 million in preceding quarter due to the increase work progress achieved.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2016 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

B4. Commentary on prospects

The property sector is expected to continue remain challenging in light of the stringent lending rules imposed by banks and oversupply in certain property sub-sector market. Additionally certain sub sectors e.g. finance and oil & gas sectors that are traditionally the take-out sources for office spaces in the Klang Valley are now holding back given the cautious sentiments of the economy.

With these challenges ahead, the Group will focus on measures to increase efficiencies and to pursue innovative concepts to enhance its development projects such as Bukit Katil township development that the Group recently embarked on via a Master Development Agreement signed between the Group and FELDA.

The Group will explore new avenue of revenue source such as industrial property sub-sector market in view of the challenges in the residential and commercial sub-sector. The Group would also continuously review its operation, including potential acquisition of new land and properties at various strategic location with high growth potential, entering into joint ventures with establish and reputable partners to fast track the high value township development and rationalisation of existing business.

B5. Variance from forecast profit and profit guarantee

Not applicable.

B6. Income tax expense

	Quarter ended		Year-to-date ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Income tax	(6,039)	(2,743)	(6,486)	(4,250)
Deferred tax	(662)	(404)	(771)	(162)
	<u>(6,701)</u>	<u>(3,147)</u>	<u>(7,257)</u>	<u>(4,412)</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% 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.

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2016 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

B7. Disposal of unquoted investments and properties

There were no disposal of unquoted investments and/or properties for the financial period ended 30 June 2016.

B8. Purchase or disposal of quoted securities

There were no purchase or disposal of quoted securities for the financial period ended 30 June 2016.

B9. Status of corporate proposals

There were no pending corporate proposals during the financial period ended 30 June 2016

B10. Borrowings and debt securities

	As at 30.06.2016	
	Current	Non-current
	RM'000	RM'000
Secured		
Sukuk Murabahah	206,996	758,316
Term loan	65,528	123,542
Obligations under finance leases and hire purchases	22	71
Revolving credit	45,850	-
Bank overdraft	1,488	-
	<u>319,885</u>	<u>881,929</u>

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2016 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

B11. Changes in material litigation

The Group has no outstanding material litigation for the financial period ended 30 June 2016.

B12. Dividends

The Board of Directors did not recommend any dividend for the quarter ended 30 June 2016.

B13. Profit for the period

	Quarter ended 30.06.2016 RM'000	Year-to-date ended 30.06.2016 RM'000
The profit/loss is arrived at after charging / (crediting):		
a) Interest income	(189)	(365)
b) Other income	(4,336)	(6,031)
c) Interest expense	26,939	53,904
d) Depreciation and amortisation	193	428
e) Provision for and write off of receivables	-	-
f) Provision for and write off of inventories	-	-
g) Loss/(gain) on disposal of quoted or unquoted investments or properties	-	-
h) Loss/(gain) on property, plant & equipment	-	-
i) Loss/(gain) on intangible assets	-	-
j) Impairment of goodwill	-	-
k) Foreign exchange gain or loss	-	-
l) Gain/loss on derivatives; and	-	-
m) exceptional items	-	-

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

B14. Retained Earnings

	As at 30.06.2016 RM'000	As at 31.12.2015 RM'000
Group		
Realised	226,275	224,310
Unrealised	117,329	105,750
	<u>343,604</u>	<u>330,060</u>
Consolidation adjustments	(325,133)	(322,906)
Total retained earnings	<u>18,471</u>	<u>7,154</u>

B15. Earnings per share ("EPS")

a) Basic EPS

	Quarter ended		Year-to-date ended	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Profit/(Loss) attributable to owners of the parent	<u>7,253</u>	<u>(10,603)</u>	<u>7,677</u>	<u>(11,210)</u>
Weighted average number of ordinary shares in issue	<u>278,645</u>	<u>278,645</u>	<u>278,645</u>	<u>278,645</u>
Basic EPS (sen)	<u>2.60</u>	<u>(3.81)</u>	<u>2.76</u>	<u>(4.02)</u>

b) Diluted EPS

Upon the maturity of RCSLS and the expiry of Warrants, the Company has no other dilutive potential ordinary shares. Accordingly, the diluted EPS for the current financial period is not presented.

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

**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2016 (contd.)**

**PART B: EXPLANATORY NOTES PURSUANT TO MAIN MARKET
LISTING REQUIREMENTS OF BURSA (contd.)**

B16. Authorisation for issue

The interim financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 23 August 2016.

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

Lee Lay Hong
Company Secretary

23 August 2016