

# Encorp Berhad

(Company No: 506836-X)

(Incorporated in Malaysia)

Quarterly report on unaudited consolidated results for the financial period ended 31 March 2006. These figures have not been audited.

## CONDENSED CONSOLIDATED INCOME STATEMENTS

	Individual Quarter		Cumulative Quarter	
	Current Quarter Ended	Preceding Period Corresponding Quarter	Current Period To Date	Preceding Period Corresponding Year
	31 Mar 06 RM'000	31 Mar 05 RM'000	31 Mar 06 RM'000	31 Mar 05 RM'000
Revenue	27,365	26,372	27,365	26,372
Cost of Sales	(1,282)	-	(1,282)	-
Gross Profit	26,083	26,372	26,083	26,372
Other Income	553	221	553	221
Administrative Expenses	(2,398)	(3,084)	(2,398)	(3,084)
Distribution Costs	(670)	(68)	(670)	(68)
Other Expenses	(1,281)	(3,555)	(1,281)	(3,555)
Finance Costs	(27,237)	(27,197)	(27,237)	(27,197)
Share of Profit of Associate	1,249	1,310	1,249	1,310
Loss Before Tax	(3,701)	(6,001)	(3,701)	(6,001)
Income Tax Expense	-	114	-	114
Loss for the Period	(3,701)	(5,887)	(3,701)	(5,887)
Attributable To:				
Equity Holders of the Parent	(3,701)	(5,887)	(3,701)	(5,887)
Minority Interest	-	-	-	-
	(3,701)	(5,887)	(3,701)	(5,887)
Loss Per Share (Sen)				
- Basic (223,508,536)	(1.66)	(2.63)	(1.66)	(2.63)

The Condensed Income Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**Encorp Berhad**  
 (Company No: 506836-X)  
 (Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2006**

	<b>(Unaudited)</b> <b>As At End of</b> <b>Current Period</b> <b>31 Mar 06</b> <b>RM'000</b>	<b>(Audited)</b> <b>As At Preceding</b> <b>Financial Year End</b> <b>31 Dec 05</b> <b>RM'000</b>
<b><u>NON-CURRENT ASSETS</u></b>		
PROPERTY, PLANT AND EQUIPMENT	5,420	5,533
LAND HELD FOR PROPERTY DEVELOPMENT	100,557	100,557
INVESTMENT IN ASSOCIATE	46,394	45,145
GOODWILL ON CONSOLIDATION	195,885	197,003
CONCESSION INCOME RECEIVABLES	1,289,673	1,293,687
<b><u>CURRENT ASSETS</u></b>		
Property Development Cost	28,909	22,221
Trade and Other Receivables	37,806	33,454
Tax Recoverable	1,049	999
Deposits, Cash and Bank Balances	81,673	67,600
	149,437	124,274
<b><u>CURRENT LIABILITIES</u></b>		
Trade and Other Payables	86,700	73,197
Amount Due to Corporate Shareholder	685	1,383
Short Term Borrowings	38,650	23,242
Hire Purchase Payables	165	177
Provision for Taxation	741	742
	126,941	98,741
NET CURRENT ASSETS	22,496	25,533
	1,660,425	1,667,458

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**Encorp Berhad**  
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**CONDENSED CONSOLIDATED BALANCE SHEET**  
**AS AT 31 MARCH 2006**

	(Unaudited) As At End of Current Period 31 Mar 06 RM'000	(Audited) As At Preceding Financial Year End 31 Dec 05 RM'000
SHARE CAPITAL	223,509	223,509
SHARE PREMIUM	103,563	103,563
RETAINED PROFITS	19,804	23,505
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	346,876	350,577
MINORITY INTEREST	-	-
TOTAL EQUITY	346,876	350,577
<b><u>NON-CURRENT LIABILITIES</u></b>		
Trade Payables	87,538	87,538
Long Term Borrowings	1,216,809	1,220,113
Deferred Taxation	8,980	8,980
Hire Purchase Payables	222	250
	1,313,549	1,316,881
	1,660,425	1,667,458
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (RM)	1.55	1.57

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

## Encorp Berhad

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### CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006

	← Attributable to Equity Holders of the Parent →				Total RM'000	Minority Interest RM'000	Total Equity RM'000
	Share Capital RM'000	Share Premium RM'000	Reserve on Consolidation RM'000	Retained Profits RM'000			
At 1 January 2005	223,509	103,563	-	19,910	346,982	-	346,982
Loss for the Period	-	-	-	(5,887)	(5,887)	-	(5,887)
Total recognised income and expense for the period	-	-	-	(5,887)	(5,887)	-	(5,887)
At 31 March 2005	<u>223,509</u>	<u>103,563</u>	<u>-</u>	<u>14,023</u>	<u>341,095</u>	<u>-</u>	<u>341,095</u>
At 1 January 2006	223,509	103,563	-	23,505	350,577	-	350,577
Loss for the Period	-	-	-	(3,701)	(3,701)	-	(3,701)
Total recognised income and expense for the period	-	-	-	(3,701)	(3,701)	-	(3,701)
At 31 March 2006	<u>223,509</u>	<u>103,563</u>	<u>-</u>	<u>19,804</u>	<u>346,876</u>	<u>-</u>	<u>346,876</u>

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

# Encorp Berhad

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## **CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL PERIOD ENDED** **31 MARCH 2006**

	3 Months Ended	
	31 Mar 06	31 Mar 05
	RM'000	RM'000
<b>Cash Flows From Operating Activities</b>		
Loss before taxation	(3,701)	(6,001)
Adjustments for:		
Depreciation	163	205
Interest expenses	27,237	27,197
Share of profit of associate	(1,249)	(1,310)
Interest income on deposits	(536)	(221)
Amortisation of goodwill on consolidation	1,118	3,087
Operating profit before working capital changes	23,032	22,957
Changes in working capital:		
Net changes in current assets	(262)	6,440
Net changes in current liabilities	12,678	4,851
Cash generated from operations	35,448	34,248
Interest paid	(8)	(11)
Income taxes paid	(50)	319
Net cash from operating activities	35,390	34,556
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(50)	(55)
Development cost	(6,686)	(1,627)
Dividend income	-	784
Interest received	459	221
Net cash from/(used in) investing activities	(6,277)	(677)

The Condensed Consolidated Cashflow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

## Encorp Berhad

(Company No: 506836-X)

(Incorporated in Malaysia)

### CONDENSED CONSOLIDATED CASH FLOW STATEMENT FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006

	3 Months Ended	
	31 Mar 06 RM'000	31 Mar 05 RM'000
<b>Cash Flows From Financing Activities</b>		
Redemption of ABBA Notes	(15,000)	(15,000)
Placement of deposits pledged	(11,014)	(16,206)
Repayment of hire purchase	(40)	(20)
Net cash used in financing activities	<u>(26,054)</u>	<u>(31,226)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	3,059	2,653
<b>Cash and Cash Equivalents At Beginning of Period</b>	<u>9,393</u>	<u>1,649</u>
<b>Cash and Cash Equivalents At End of Period</b>	<u><b>12,452</b></u>	<u><b>4,302</b></u>
Cash and cash equivalents comprise the following: -		
Cash deposits placed with:		
Licensed banks	16,312	53,521
Licensed corporation	63,123	-
Cash and bank balances	<u>2,238</u>	<u>3,032</u>
	81,673	56,553
Less: Cash and bank balances and deposits pledged / designated	(69,221)	(52,251)
<b>Cash and Cash Equivalents At End of Period</b>	<u><b>12,452</b></u>	<u><b>4,302</b></u>

The Condensed Consolidated Cashflow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2005 and the accompanying explanatory notes attached to the interim financial statements.

**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006**

**A1. Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards (FRS) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005. 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 Encorp Berhad Group ("the Group") since the financial year ended 31 December 2005.

**A2. Changes in Accounting Policies**

The accounting policies and methods of computation adopted by the Group in the interim financial statements are consistent with the most recent annual financial statements for the financial year ended 31 December 2005 except for the adoption of the following new or revised FRSs effective for the financial period beginning 1 January 2006: -

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

In addition to the above, the Group has also taken the option of early adoption of the new or revised FRS 117: Leases and FRS 124: Related Party Disclosures for the financial period beginning 1 January 2006.

Except as noted below, the adoption of FRSs does not have significant financial impact on the Group. The principle effects of the changes in accounting policies resulting from the adoption of the new or revised FRSs are discussed below: -

**(a) FRS 3: Business Combinations and FRS 136: Impairment of Assets**

The new FRS 3 has resulted in consequential amendments to FRS 136.

The adoption of these new FRSs has resulted in the Group ceasing annual goodwill amortisation. Goodwill is carried at cost less accumulated impairment losses and is now tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired. Any impairment loss is recognised in profit or loss and subsequent reversal is not allowed. Prior to 1 January 2006, goodwill was amortised on a straight-line basis over its estimated useful life of 20 years.

This change in accounting policy has been accounted for prospectively for business combinations where the agreement date is on or after 1 January 2006. The transitional provisions of FRS 3, however, have required the Group to eliminate at 1 January 2006 the carrying amount of the accumulated amortisation of RM49,930,110 against the carrying amount of goodwill. The carrying amount of goodwill as at 1 January 2006 of RM197,003,142 ceased to be amortised. This has the effect of reducing the amortisation charges by RM3,086,666 in the current quarter ended 31 March 2006.

**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006**

**b) FRS 101: Presentation of Financial Statements**

The adoption of the revised FRS 101 has affected the presentation of minority interest, share of net after-tax results of associate and other disclosures. In the condensed consolidated balance sheet, minority interest is now presented within total equity. In the condensed consolidated income statement, minority interest is presented as an allocation of the total profit or loss for the period. A similar requirement is also applicable to the statement of changes in equity. FRS 101 also requires disclosure, on the face of the statement of changes in equity, total recognised income and expenses for the period, showing separately the amounts attributable to equity holders of the parent and to minority interest.

The current period's presentation of the Group's financial statements is based on the revised requirements of FRS 101, with the comparatives restated to conform with the current period's presentation.

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

The Group's latest audited financial statements for the financial year ended 31 December 2005 were not subject to any qualification.

**A4. Seasonal or Cyclical Factors of Operations**

The Group's operations are not materially affected by any seasonal or cyclical factors.

**A5. Unusual Items Due to their Nature, Size or Incidences**

There were no unusual items affecting the nature and amount of assets, liabilities, equity, net income and cash flows of the Group during the financial period under review.

**A6. Changes in Estimates**

There were no changes in estimates of amounts reported in the current quarter or changes in estimates of amounts reported in prior financial years that have had a material effect in the current quarter.

**A7. Debt and Equity Securities**

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current financial period ended 31 March 2006 except for the following: -

	<b>RM'000</b>
<u>Repayment</u>	
Tranche 2 of Encorp Systembilt Sdn Bhd ("ESSB") Al-Bai	
Bithaman Ajil Notes ("Baidas")	<u>(15,000)</u>

**A8. Dividends Paid**

No dividends were paid during the current financial period under review.



**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006**

**A9. Segmental Reporting**

The Group's segment revenue and results are presented by industry segments for the financial period ended 31 March 2006 as follow: -

REVENUE AND EXPENSES	Investment Holding RM'000	Property Development RM'000	Construction RM'000	Other * RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
- External sales	-	1,374	-	25,991	-	27,365
- Inter-segment sales	179	-	-	-	(179)	-
Total revenue	179	1,374	-	25,991	(179)	27,365
Results						
- Segment results	(1,174)	(823)	(1,017)	25,927	(1,162)	21,751
- Interest expenses	(1)	-	(7)	(27,229)	-	(27,237)
- Interest income	72	112	-	352	-	536
- Share of profit of associate	1,249	-	-	-	-	1,249
- Taxation	-	-	-	-	-	-
Loss for the period						(3,701)

\* This segment refers to the concessionaire to build and transfer teachers' quarters to the Government of Malaysia.

**A10. Valuation of Property, Plant and Equipment**

There were no valuation for property, plant and equipment of the Group.

**A11. Material Events Subsequent to the Balance Sheet Date**

There were no material events subsequent to the end of the current quarter.

**A12. Changes in the Composition of the Group**

There were no other changes in the composition of the Group during the financial period under review, including business combination, acquisition or disposal of subsidiary and long-term investment, restructuring and discontinuing operations.

**A13. Changes in Contingent Liabilities**

	RM'000
As at 31 December 2005	39,511
As at 31 March 2006	39,511

**A14. Capital Commitments**

	RM'000
As at 31 March 2006	22,534

**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006**

**B1. Review of Performance of the Company and its Principal Subsidiaries**

The Group achieved revenue of RM27.37 million and recorded a loss before tax of RM3.7 million for the current financial period ended 31 March 2006. The revenue was attributable to the annuity interest income arising from the handover of teachers' quarters and the sales from the property development.

**B2. Comparison with Immediate Preceding Quarter**

For the current quarter under review, the Group recorded a loss before tax of RM3.7 million as compared to the loss before tax of RM4.01 million recorded in the immediate preceding quarter. The loss is mainly attributable to the interest expense on the ESSB's BAIDS and the financial results will improve upon the resolution of the final accounts and extension of time claims on the teachers' quarters. With reference to paragraph A2(a), the goodwill was amortised in the previous quarter. However, in the current quarter the goodwill is treated in line with the adoption of FRS 3 and FRS 136. This change in accounting policy has resulted in a lower goodwill expense of RM1.97 million in the current quarter.

**B3. Current Year Prospect**

A substantial contribution is expected from the teachers' quarters project upon the resolution of the final accounts and extension of time claims. Further contribution is expected to come mainly from property development in line with the sale of properties in two of the property development projects of the subsidiary company.

**B4. Variance from Forecast Profit and Profit Guarantee**

Not applicable for the current quarter ended 31 March 2006.

**B5. Taxation**

	<b>Current quarter ended 31 Mar 06 RM'000</b>	<b>Current period to date 31 Mar 06 RM'000</b>
Income tax	-	-
Deferred tax	-	-
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

**B6. Disposal of Unquoted Investments and Properties**

There was no disposal of investments for the current financial period under review.

**B7. Purchase or Disposal of Quoted Securities**

There was no purchase and disposal of quoted securities for the current financial period under review.

**B8. Status of Corporate Proposals**

There were no corporate proposals which are outstanding.

**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2006**

**B9. Group Borrowings**

The Group borrowings as at 31 March 2006 comprise: -

	<b>RM'000</b>
<b><u>Short term borrowings - payable within 12 months</u></b>	
Hire purchase payables	165
Al-Bai Bithaman Ajil Notes - secured	38,650
	<u>38,815</u>
<b><u>Long term borrowings - payable after 12 months</u></b>	
Hire purchase payables	222
Advance	8,000
Al-Bai Bithaman Ajil Notes - secured	1,208,809
	<u>1,217,031</u>
<b>Total group borrowings</b>	<b><u>1,255,846</u></b>

**B10. Off Balance Sheet Financial Instruments**

There were no financial instruments with off balance sheet risk at the date of this report.

**B11. Changes in Material Litigation**

There is a claim of RM7.7 million made by a third party against, inter alia, two subsidiaries for losses and damages suffered from alleged trespass into its land on which the two subsidiaries were carrying out works for the Government of Malaysia. The case was mentioned on 26 May 2005 and 26 July 2005 during which the Trial Judge directed the parties to attempt an out of court settlement. The case was heard on 6 March 2006 and is now postponed to 10 July 2006.

**B12. Dividends**

No dividend has been recommended during the current financial period under review.

**B13. Loss Per Share**

	<b>Current quarter ended 31 Mar 06</b>	<b>Current period ended 31 Mar 06</b>
Loss attributable to equity holders of the parent (RM'000)	<u>(3,701)</u>	<u>(3,701)</u>
Weighted average number of ordinary shares in issue ('000)	<u>223,509</u>	<u>223,509</u>
<b>Basic loss per ordinary share (Sen)</b>	<b><u>(1.66)</u></b>	<b><u>(1.66)</u></b>

**B14. 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 25 May 2006.

**Chua Siew Chuan**  
 Company Secretary

25 May 2006