

# **ENCORP BERHAD**

**(506836-X)**

(Incorporated in Malaysia)

## **INTERIM FINANCIAL STATEMENTS FOR THE QUARTER ENDED 30 JUNE 2006**

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**ENCORP BERHAD**

(Company No: 506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS  
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2006**

	Unaudited			
	Individual Quarter		Cumulative Quarters	
	Current Quarter Ended 30 June 06 RM'000	Preceding Period Corresponding Quarter 30 June 05 RM'000	Current Period To Date 30 June 06 RM'000	Preceding Period Corresponding Period 30 June 05 RM'000
Revenue	29,100	28,068	56,465	54,440
Cost of Sales	(2,979)	(2,718)	(4,261)	(2,718)
Gross Profit	26,121	25,350	52,204	51,722
Other Income	777	562	1,330	783
Gain on Disposal of ESSB Baidis	-	25,305	-	25,305
Administrative Expenses	(2,360)	(2,936)	(4,758)	(6,020)
Distribution Costs	(662)	(175)	(1,331)	(243)
Other Expenses	(1,320)	(3,557)	(2,601)	(7,112)
Finance Costs	(27,538)	(25,331)	(54,776)	(52,528)
Share of Profit of Associate	1,244	674	2,493	1,984
(Loss) / Profit Before Tax	(3,738)	19,892	(7,439)	13,891
Income Tax Expense	-	658	-	772
(Loss) / Profit for the Period	(3,738)	20,550	(7,439)	14,663
Attributable To:				
Equity Holders of the Parent	(3,738)	20,550	(7,439)	14,663
Minority Interest	-	-	-	-
	(3,738)	20,550	(7,439)	14,663
(Loss) / Earnings Per Share Attributable To Equity Holders of the Parent (Sen): Basic, For (Loss) / Profit for the Period	(1.67)	9.19	(3.33)	6.56

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 30 JUNE 2006**

	<b>Unaudited As At End of Current Period 30 June 06 RM'000</b>	<b>Audited As At Preceding Financial Year End 31 Dec 05 RM'000</b>
<b><u>NON-CURRENT ASSETS</u></b>		
PROPERTY, PLANT AND EQUIPMENT	5,431	5,533
LAND HELD FOR PROPERTY DEVELOPMENT	100,557	100,557
INVESTMENT IN ASSOCIATE	45,380	45,145
GOODWILL ON CONSOLIDATION	194,697	197,003
CONCESSION INCOME RECEIVABLES	1,285,685	1,293,687
<b><u>CURRENT ASSETS</u></b>		
Property Development Cost	33,261	22,221
Trade and Other Receivables	48,961	33,454
Tax Recoverable	1,124	999
Deposits, Cash and Bank Balances	62,256	67,600
	145,602	124,274
<b><u>CURRENT LIABILITIES</u></b>		
Trade and Other Payables	102,878	73,198
Amount Due to Corporate Shareholder	635	1,383
Short Term Borrowings	55,056	23,242
Hire Purchase Payables	168	177
Provision for Taxation	741	741
	159,478	98,741
NET CURRENT (LIABILITIES) / ASSETS	(13,876)	25,533
	1,617,874	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 30 JUNE 2006**

	<b>Unaudited As At End of Current Period 30 June 06 RM'000</b>	<b>Audited As At Preceding Financial Year End 31 Dec 05 RM'000</b>
SHARE CAPITAL	223,509	223,509
SHARE PREMIUM	103,563	103,563
RETAINED PROFITS	<u>16,066</u>	<u>23,505</u>
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	343,138	350,577
MINORITY INTEREST	<u>-</u>	<u>-</u>
TOTAL EQUITY	343,138	350,577
<b><u>NON-CURRENT LIABILITIES</u></b>		
Trade Payables	87,538	87,538
Long Term Borrowings	1,178,053	1,220,113
Deferred Taxation	8,980	8,980
Hire Purchase Payables	165	250
	<u>1,274,736</u>	<u>1,316,881</u>
	<u>1,617,874</u>	<u>1,667,458</u>
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (RM)	<u>1.54</u>	<u>1.57</u>

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.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
 FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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
Profit for the Period	-	-	-	14,663	14,663	-	14,663
Total recognised income and expense for the period	-	-	-	14,663	14,663	-	14,663
At 30 June 2005	223,509	103,563	-	34,573	361,645	-	361,645
At 1 January 2006	223,509	103,563	-	23,505	350,577	-	350,577
Loss for the Period	-	-	-	(7,439)	(7,439)	-	(7,439)
Total recognised income and expense for the period	-	-	-	(7,439)	(7,439)	-	(7,439)
At 30 June 2006	223,509	103,563	-	16,066	343,138	-	343,138

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 30 JUNE 2006**

	← Unaudited → ← 6 Months Ended → 30 June 06 RM'000	30 June 05 RM'000
<b>Cash Flows From Operating Activities</b>		
(Loss) / profit before taxation	(7,439)	13,891
Adjustments for:		
Depreciation	294	414
Interest expenses	54,776	52,528
Gain on disposal of ESSB Baid	-	(25,305)
Gain on disposal of motor vehicle	(15)	-
Share of profit of associate	(2,493)	(1,984)
Interest income on deposits	(1,298)	(783)
Impairment / amortisation of goodwill on consolidation	2,306	6,173
Operating profit before working capital changes	46,131	44,934
Changes in working capital:		
Net changes in current assets	(7,323)	(23,407)
Net changes in current liabilities	28,680	6,641
Cash generated from operations	67,488	28,168
Interest paid	(15)	(26)
Income taxes paid	(1,003)	(878)
Net cash from operating activities	66,470	27,264
<b>Cash Flows From Investing Activities</b>		
Purchase of property, plant and equipment	(192)	(112)
Proceed from issuance of Series 2 ESSB Baid	-	12,431
Development costs	(11,040)	(4,751)
Proceed from disposal of ESSB Baid	-	184,834
Proceed from disposal of motor vehicle	15	-
Dividend income	3,136	3,136
Interest received	1,116	783
Net cash (used in) / from investing activities	(6,965)	196,321

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 30 JUNE 2006**

← Unaudited →  
← 6 Months Ended →  
30 June 06      30 June 05  
RM'000      RM'000

**Cash Flows From Financing Activities**

Redemption of ABBA Notes	(64,755)	(23,502)
Repayment of borrowings	-	(160,000)
Released / (placement) of deposits pledged	9,613	(37,871)
Repayment of hire purchase	(94)	(58)
Net cash used in financing activities	<u>(55,236)</u>	<u>(221,431)</u>
<b>Net Increase in Cash and Cash Equivalents</b>	4,269	2,154
<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>13,662</b></u>	<u><b>3,803</b></u>

Cash and cash equivalents comprise the following: -

Cash deposits placed with:

Licensed banks	17,266	1,512
Licensed corporation	43,407	72,266
Cash and bank balances	1,583	3,941
	<u>62,256</u>	<u>77,719</u>
Less: Cash and bank balances and deposits pledged / designated	(48,594)	(73,916)
<b>Cash and Cash Equivalents At End of Period</b>	<u><b>13,662</b></u>	<u><b>3,803</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 30 JUNE 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 and RM6,173,332 in the financial period ended 30 June 2006.



**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 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 30 June 2006 except for the following: -

Repayment

Tranches 1, 2 and 3 of Encorp Systembilt Sdn Bhd ("ESSB") Al-Bai Bithaman Ajil Notes ("Bajids")

**RM'000**

(64,755)

**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 30 JUNE 2006**

**A9. Segmental Reporting**

The Group's segment revenue and results are presented by industry segments for the financial period ended 30 June 2006 as follow: -

REVENUE AND EXPENSE	Investment Holding RM'000	Property Development RM'000	Construction RM'000	Other * RM'000	Elimination RM'000	Consolidated RM'000
Revenue						
- External sales	-	4,567	-	51,898	-	56,465
- Inter-segment sales	3,527	-	-	-	(3,527)	-
Total revenue	3,527	4,567	-	51,898	(3,527)	56,465
Results						
- Segment results	849	(1,688)	(413)	50,346	(5,548)	43,546
- Interest expenses	(2)	-	(13)	(54,761)	-	(54,776)
- Interest income	132	267	-	899	-	1,298
- Share of profit of associate	2,493	-	-	-	-	2,493
						(7,439)
- Income tax expense	-	-	-	-	-	-
Loss for the period						(7,439)

\* 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 30 June 2006	39,511

**A14. Capital Commitments**

	RM'000
As at 30 June 2006	19,844

**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2006**

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

The Group achieved revenue of RM56.47 million for the current financial period ended 30 June 2006. The revenue was attributable to the annuity interest income arising from the completion and handover of teachers' quarters and the sales from the property development. The loss before tax for the same financial period is RM7.44 million. It is mainly attributable to the delay in the approval of the final accounts and extension of time claims on the teachers' quarters.

**B2. Comparison with Immediate Preceding Quarter**

For the current quarter under review, the Group recorded a loss before tax of RM3.74 million as compared to the loss before tax of RM3.70 million recorded in the immediate preceding quarter. The loss is mainly attributable to the interest expense on the ESSB 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 year. However, in the period ended 30 June 2006 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 and RM3.87 million for the financial period ended 30 June 2006.

**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. Good progress is being made towards the resolution of these 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 a subsidiary company.

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

Not applicable for the current quarter ended 30 June 2006.

**B5. Taxation**

	<b>Current Quarter Ended 30 June 06 RM'000</b>	<b>Current Period To Date Ended 30 June 06 RM'000</b>
Income tax	-	-
Deferred tax	-	-
	<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.

**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2006**

**B8. Status of Corporate Proposals**

There were no corporate proposals which are outstanding.

**B9. Group Borrowings**

The Group borrowings as at 30 June 2006 comprise: -

	<b>RM'000</b>
<b><u>Short Term Borrowings - Payable Within 12 Months</u></b>	
Hire purchase payables	168
Al-Bai Bithaman Ajil Notes - secured	55,056
	<u>55,225</u>
<b><u>Long Term Borrowings - Payable After 12 Months</u></b>	
Hire purchase payables	165
Advance	8,000
Al-Bai Bithaman Ajil Notes - secured	1,170,053
	<u>1,178,218</u>
<b>Total group borrowings</b>	<b><u>1,233,442</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 was to be continued on 10 July 2006. However, it has been postponed to 3 October 2006.

**B12. Dividends**

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

**B13. Basic Loss Per Share**

	<b>Current quarter ended 30 June 06</b>	<b>Current period ended 30 June 06</b>
Loss attributable to equity holders of the parent (RM'000)	<u>(3,738)</u>	<u>(7,439)</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>(1.67)</u></b>	<b><u>(3.33)</u></b>

**ENCORP BERHAD (506836-X)**  
**EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS**  
**FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2006**

**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 16 August 2006.

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

**Chua Siew Chuan**  
Company Secretary

16 August 2006