

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

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 DECEMBER 2006
(Unaudited)

CONTENTS

	Page
CONDENSED CONSOLIDATED INCOME STATEMENTS	1
CONDENSED CONSOLIDATED BALANCE SHEET AS AT 31 DECEMBER 2006	2 - 3
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	4
CONDENSED CONSOLIDATED CASH FLOW STATEMENT	5 - 6
NOTES TO THE INTERIM FINANCIAL STATEMENTS	7 - 13

ENCORP BERHAD

(Company No: 506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	← Unaudited →		← Unaudited →	← Audited →
	← Individual Quarter →	← Individual Quarter →		
	Current Quarter Ended 31 Dec 06 RM'000	Preceding Year Corresponding Quarter 31 Dec 05 RM'000	Current Year To Date 31 Dec 06 RM'000	Preceding Year Corresponding Year 31 Dec 05 RM'000
Revenue	42,479	32,896	143,156	114,546
Cost of Sales	<u>(8,070)</u>	<u>(6,365)</u>	<u>(25,483)</u>	<u>(10,067)</u>
Gross Profit	34,409	26,531	117,673	104,479
Other Income	1,833	533	3,770	2,357
Gain on Disposal of ESSB Baidis	-	-	-	25,305
Distribution Costs	(1,319)	(480)	(3,361)	(1,637)
Administrative Expenses	(3,239)	(2,640)	(11,229)	(12,162)
Other Expenses	(109,145)	(3,561)	(113,601)	(13,185)
Finance Costs	<u>(27,838)</u>	<u>(28,209)</u>	<u>(110,454)</u>	<u>(107,257)</u>
Loss Before Tax	(105,299)	(7,826)	(117,202)	(2,100)
Income Tax Expense	<u>(3,239)</u>	<u>225</u>	<u>(3,561)</u>	<u>(616)</u>
Loss For The Period / Year From Operations	<u>(108,538)</u>	<u>(7,601)</u>	<u>(120,763)</u>	<u>(2,716)</u>
Asset Held for Sale				
Share of Profit of Associate	-	1,389	4,064	6,223
Net Fair Value Less Carrying Value	<u>1,129</u>	<u>-</u>	<u>(6,022)</u>	<u>-</u>
	<u>1,129</u>	<u>1,389</u>	<u>(1,958)</u>	<u>6,223</u>
(Loss) / Profit For The Period / Year	<u>(107,409)</u>	<u>(6,212)</u>	<u>(122,721)</u>	<u>3,507</u>
Attributable To:				
Equity Holders of The Parent	(108,908)	(6,124)	(124,590)	3,595
Minority Interest	<u>1,499</u>	<u>(88)</u>	<u>1,869</u>	<u>(88)</u>
	<u>(107,409)</u>	<u>(6,212)</u>	<u>(122,721)</u>	<u>3,507</u>
(Loss) / Earnings Per Share Attributable				
To Equity Holders of The Parent (Sen):				
Basic, For (Loss) / Profit For The Period / Year	<u>(48.73)</u>	<u>(2.74)</u>	<u>(55.74)</u>	<u>1.61</u>

The Condensed Consolidated 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 DECEMBER 2006**

	Unaudited As At End of Current Year 31 Dec 06 RM'000	Audited As At Preceding Financial Year 31 Dec 05 RM'000
ASSETS		
<u>NON-CURRENT ASSETS</u>		
PROPERTY, PLANT AND EQUIPMENT	5,096	5,533
LAND HELD FOR PROPERTY DEVELOPMENT	100,557	100,557
INVESTMENT IN ASSOCIATE	-	45,145
GOODWILL ON CONSOLIDATION	153,096	197,003
CONCESSION INCOME RECEIVABLES	1,208,320	1,293,687
<u>CURRENT ASSETS</u>		
Property Development Costs	49,031	22,221
Trade and Other Receivables	51,246	33,454
Tax Recoverable	267	999
Deposits, Cash and Bank Balances	53,613	67,600
	154,157	124,274
Investment In Associate Held for Sale	39,800	-
	193,957	124,274
TOTAL ASSETS	1,661,026	1,766,199

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

(Company No: 506836-X)

(Incorporated in Malaysia)

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

	Unaudited As At End of Current Year 31 Dec 06 RM'000	Audited As At Preceding Financial Year 31 Dec 05 RM'000
EQUITY AND LIABILITIES		
SHARE CAPITAL	223,509	223,509
SHARE PREMIUM	103,563	103,563
(ACCUMULATED LOSS) / RETAINED PROFITS	(101,085)	23,505
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	225,987	350,577
MINORITY INTEREST	1,869	-
TOTAL EQUITY	227,856	350,577
<u>NON-CURRENT LIABILITIES</u>		
Trade Payables	80,575	87,538
Long Term Borrowings	1,167,588	1,220,113
Deferred Taxation	8,984	8,980
Hire Purchase Payables	47	250
	1,257,194	1,316,881
<u>CURRENT LIABILITIES</u>		
Trade and Other Payables	117,420	73,198
Amount Due to Corporate Shareholder	584	1,383
Short Term Borrowings	56,039	23,242
Hire Purchase Payables	178	177
Provision for Taxation	1,755	741
	175,976	98,741
TOTAL LIABILITIES	1,433,170	1,415,622
TOTAL EQUITY AND LIABILITIES	1,661,026	1,766,199
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (RM)	1.01	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

(Company No: 506836-X)

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	Attributable to Equity Holders of the Parent					
	Share Capital RM'000	Share Premium RM'000	Non - Distributable Distributable (Accumulated Loss) / Retained Profits RM'000	Total RM'000	Minority Interest RM'000	Total Equity RM'000
At 1 January 2005	223,509	103,563	19,910	346,982	88	347,070
Profit / (loss) for the year	-	-	3,595	3,595	(88)	3,507
Total recognised income and expense for the year	-	-	3,595	3,595	(88)	3,507
At 31 December 2005	223,509	103,563	23,505	350,577	-	350,577
At 1 January 2006	223,509	103,563	23,505	350,577	-	350,577
(Loss) / profit for the year	-	-	(124,590)	(124,590)	1,869	(122,721)
Total recognised income and expense for the year	-	-	(124,590)	(124,590)	1,869	(122,721)
At 31 December 2006	223,509	103,563	(101,085)	225,987	1,869	227,856

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

(Company No: 506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	Unaudited ← 12 Months Ended → 31 Dec 06 RM'000	Audited 31 Dec 05 RM'000
Cash Flows From Operating Activities		
(Loss) / profit before taxation	(119,160)	4,123
Adjustments for:		
Allowance for doubtful debts	69,103	-
Depreciation	594	838
Gain on disposal of ESSB Baid	-	(25,305)
Gain on disposal of property, plant and equipment	(21)	-
Impairment / amortisation of goodwill on consolidation	43,907	12,347
Interest expenses	110,454	107,257
Interest income	(2,640)	(1,783)
Share of profit of associate	(4,064)	(6,223)
Net fair value less carrying value of associate	6,022	-
Write back on interest accrued	-	(1,280)
Write back of short term accumulating compensated absences	(3)	(26)
Operating profit before working capital changes	104,192	89,948
Changes in working capital:		
Net changes in current assets	(1,650)	16,341
Net changes in current liabilities	36,463	105,387
Cash generated from operations	139,005	211,676
Income taxes paid	(3,130)	(51)
Interest paid	(25)	(35)
Tax refund	-	365
Net cash generated from operating activities	135,850	211,955
Cash Flows From Investing Activities		
Development costs	(26,810)	-
Dividend income	4,704	-
Interest received	2,257	1,783
Proceeds from disposal of ESSB Baid	-	184,834
Proceeds from disposal of property, plant and equipment	89	-
Purchase of land held for property development	-	(93,971)
Purchase of property, plant and equipment	(225)	(242)
Net cash (used in) / generated from investing activities	(19,985)	92,404

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

ENCORP BERHAD

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(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006**

	← Unaudited 12 Months Ended → 31 Dec 06 RM'000	Audited 31 Dec 05 RM'000
Cash Flows From Financing Activities		
Proceeds from issuance of Series 2 ESSB Baidis	-	12,431
Receipt from debt service reserve accounts	-	2,905
Redemption of ABBA Notes	(129,650)	(129,650)
Released / (placement) of deposits pledged	23,904	(20,730)
Repayment of borrowings	-	(160,000)
Repayment of hire purchase	(202)	(139)
Net cash used in financing activities	<u>(105,948)</u>	<u>(295,183)</u>
Net Increase in Cash and Cash Equivalents	9,917	9,176
Cash and Cash Equivalents At Beginning of Year	<u>9,393</u>	<u>217</u>
Cash and Cash Equivalents At End of Year	<u>19,310</u>	<u>9,393</u>
Cash and cash equivalents comprise the following: -		
Cash deposits placed with:		
Licensed banks	23,205	13,378
Licensed corporation	28,131	50,931
Cash and bank balances	<u>2,277</u>	<u>3,291</u>
	53,613	67,600
Less: Cash and bank balances and deposits pledged / designated	<u>(34,303)</u>	<u>(58,207)</u>
Cash and Cash Equivalents At End of Year	<u>19,310</u>	<u>9,393</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 YEAR ENDED 31 DECEMBER 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 year 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 year beginning 1 January 2006.

Except as noted below, the adoption of FRSs does not have significant financial impact on the Group. The principal 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. The goodwill has been tested for annual impairment and this has the effect of increasing the impairment charges by RM36,806,201 in the current quarter and RM31,560,246 in the financial year ended 31 December 2006.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 year. 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 year, 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 year's presentation.

c) FRS 5: Non-Current Assets Held for Sale and Discontinued Operations

The Group has applied FRS 5 prospectively in accordance with its transitional provisions, which has resulted in a change in accounting policy on the recognition of a discontinued operation. Prior to 1 January 2006, under the previous FRS 135, the Group would have recognised a discontinued operation at the earlier of the date the Group enters into a binding sale agreement and the date the board of directors have approved and announced a formal disposal plan. FRS 5 requires a component of an entity to be classified as discontinued when the criteria to be classified as held for sale have been met or it has been disposed of. Such a component represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of the component or is a subsidiary acquired exclusively with a view to resale. The result of this change in accounting policy is that a discontinued operation is recognised by the Group at a later point than under the previous FRS 135 due to the stricter criteria in FRS 5.

An item is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through continuing use. The assets and liabilities of a discontinued operation (a disposal group) that are classified as held for sale are measured in accordance with FRS 5. Immediately before classification as held for sale, the carrying amounts of all the assets and liabilities in the disposal group is measured in accordance with applicable FRSS. Then, on initial classification as held for sale, the disposal group is recognised at the lower of carrying amount and fair value less costs to sell.

The disposal group is disclosed in Note A13 of the explanatory notes.

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

Except for the provision on the recoverability of the Extension of Time (EOT) claims and the impairment of goodwill as noted under B1, 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 year 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.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

A7. Debt and Equity Securities

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

	RM'000
<u>Repayment</u>	
Tranches 1, 2 and 3 of Encorp Systembilt Sdn Bhd ("ESSB") Al-Bai Bithaman Ajil Notes ("Baidas")	(129,650)
	<u>(129,650)</u>

A8. Dividends Paid

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

A9. Segmental Reporting

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

	Investment Holding RM'000	Property Development RM'000	Construction RM'000	Other * RM'000	Elimination RM'000	Consolidated RM'000
Segment Revenue						
- External sales	-	39,706	-	103,450	-	143,156
- Inter-segment sales	<u>7,248</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,248)</u>	<u>-</u>
Total revenue	7,248	39,706	-	103,450	(7,248)	<u>143,156</u>
Segment Results						
Results from operations						
- Segment results	1,842	9,214	(322)	28,895	(49,017)	(9,388)
- Interest expenses	(4)	-	(21)	(110,429)	-	(110,454)
- Interest income	230	686	-	1,724	-	2,640
- Income tax expense	(731)	(2,346)	(484)	-	-	<u>(3,561)</u>
						(120,763)
Asset held for sale						
- Share of profit of associate	4,064	-	-	-	-	4,064
- Net fair value less carrying value	(6,022)	-	-	-	-	<u>(6,022)</u>
Loss for the financial year						<u>(122,721)</u>
(Loss) / profit attributable to:						
Equity holders of the parent						(124,590)
Minority interest						<u>1,869</u>
						<u>(122,721)</u>

* 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 except as disclosed under note A13.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

A12. Changes in the Composition of the Group

There were no other changes in the composition of the Group during the financial year under review, including business combination, acquisition or disposal of subsidiary and long-term investment, restructuring and discontinuing operations except for the disposal of 55% interest in Encorp L & M Precast Sdn Bhd to Encorp Group Sdn Bhd for a total cash consideration of RM1 on 11 September 2006 and the disposal of Great Wall Plastic Industries Berhad as explained further under A13 below.

A13. Asset Held for Sale

On 22 November 2006, the Group announced the proposed disposal of 49% of its investment in Great Wall Plastic Industries Berhad comprising 39,201,960 ordinary shares of RM1.00 each for a total cash consideration of RM40 million. The disposal was duly completed on 22 January 2007.

	Quarter Ended		Current Year Ended	
	31.12.2006	31.12.2005	31.12.2006	31.12.2005
	RM'000	RM'000	RM'000	RM'000
Share of profit of associate	-	1,389	4,064	6,223
Net fair value less carrying value	1,129	-	(6,022)	-
	<u>1,129</u>	<u>1,389</u>	<u>(1,958)</u>	<u>6,223</u>

A14. Changes in Contingent Liabilities

	RM'000
As at 31 December 2005	<u>39,511</u>
As at 31 December 2006	<u>39,511</u>

A15. Capital Commitments

	RM'000
As at 31 December 2006	<u>13,289</u>

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

The Group achieved revenue of RM143.16 million for the current financial year ended 31 December 2006. The revenue is attributed to the annuity interest income arising from the completion and handover of the teachers' quarters and the sales from the property development. The loss for the same financial year from operations is RM120.76 million. It is mainly attributed to the provision made in this quarter of RM69.1 million out of the total of RM104 million claimed by the Group for the EOT claims to the Government of Malaysia (GOM). The provision is made in line with the initial endorsement of RM34.9 million by the GOM on this claim. However, we are in the process of negotiating with the GOM to increase the endorsed amount. Consequently, this has resulted in an additional impairment of goodwill of RM38.25 million.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2006

B2. Comparison with Immediate Preceding Quarter

For the current quarter under review, the Group recorded a loss for the period from operations of RM108.54 million as compared to a loss of RM2.29 million recorded in the immediate preceding quarter.

The profits from the property development projects of RM7.69 million have increased in tandem with the encouraging sales and the progress of work. However, there is a higher loss in the current quarter attributed to a provision on the recoverability of the EOT claims of RM69.1 million and additional impairment of goodwill of RM38.25 million. The financial results will improve upon the progress of construction works and sale of units in the property development projects and the resolution of the final accounts and EOT claims on the completed teachers' quarters.

With reference to paragraph A2(a), the goodwill was amortised in the previous year. However, in the year ended 31 December 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 higher goodwill impairment of RM36.81 million in the current quarter and RM31.56 million for the financial year ended 31 December 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. 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 31 December 2006.

B5. Income Tax Expense

	Current Quarter Ended 31 Dec 06 RM'000	Current Year Ended 31 Dec 06 RM'000
Income tax	(3,246)	(3,557)
Deferred tax	7	(4)
	<u>(3,239)</u>	<u>(3,561)</u>

The effective tax rate is higher than the statutory rate mainly due to certain expenses disallowed for tax deduction.

B6. Disposal of Unquoted Investments and Properties

Except as noted under A12 above, there was no disposal of investments for the current financial year under review.

B7. Purchase or Disposal of Quoted Securities

There was no purchase and disposal of quoted securities for the current financial year 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 YEAR ENDED 31 DECEMBER 2006

B9. Group Borrowings

The Group borrowings as at 31 December 2006 comprise: -

	RM'000
<u>Short Term Borrowings - Payable Within 12 Months</u>	
Hire purchase payables	178
Al-Bai Bithaman Ajil Notes - secured	56,039
	<u>56,217</u>
<u>Long Term Borrowings - Payable After 12 Months</u>	
Hire purchase payables	47
Advance	8,000
Al-Bai Bithaman Ajil Notes - secured	1,159,588
	<u>1,167,635</u>
Total group borrowings	<u>1,223,852</u>

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

- a) There is a claim of RM7.7 million made by a third party against, inter alia, two subsidiaries of the Group 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 subsequently postponed to a later date which has yet to be fixed.
- b) There is an arbitration proceeding between a subsidiary ("Subsidiary") and one of the Subsidiary's contractors ("Contractor") in respect of claims arising from the Teachers' Quarters Project undertaken by the Contractor. From the total claims submitted by the Contractor, a portion thereof has been certified and paid by the Subsidiary. The balance of the claims amounting to approximately RM5m comprise claims due to the late delivery of the site to the Contractor, claims for extension of time and head office costs which the Subsidiary is disputing. At the same time, the Subsidiary is pursuing its counter claim against the Contractor. The arbitration proceeding has been fixed for continued hearing from 3 to 7 December 2007.

B12. Dividends

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

B13. Basic Loss Per Share

	Current quarter ended 31 Dec 06 RM'000	Current year ended 31 Dec 06 RM'000
Loss attributable to equity holders of the parent (RM'000)	<u>(108,908)</u>	<u>(124,590)</u>
Weighted average number of ordinary shares in issue ('000)	<u>223,509</u>	<u>223,509</u>
Basic loss per ordinary share (Sen)	<u>(48.73)</u>	<u>(55.74)</u>

There is no diluted earnings per share as there were no dilutive potential ordinary shares.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 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 14 February 2007.

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

Chua Siew Chuan
Company Secretary

14 February 2007