

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

INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 31 MARCH 2007
(Unaudited)

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ENCORP BERHAD

(Company No: 506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007**

| | ◀ Unaudited ▶ ◀ Individual Quarter ▶ | | ◀ Unaudited ▶ ◀ Cumulative Quarters ▶ | |
|---|--|---|---|--|
| | Current Quarter Ended 31 Mar 07 RM'000 | Preceding Year Corresponding Quarter 31 Mar 06 RM'000 | Current Year To Date 31 Mar 07 RM'000 | Preceding Year Corresponding Period 31 Mar 06 RM'000 |
| Revenue | 56,193 | 27,365 | 56,193 | 27,365 |
| Cost of Sales | <u>(17,500)</u> | <u>(1,282)</u> | <u>(17,500)</u> | <u>(1,282)</u> |
| Gross Profit | 38,693 | 26,083 | 38,693 | 26,083 |
| Other Income | 774 | 553 | 774 | 553 |
| Selling and Marketing Expenses | (203) | (670) | (203) | (670) |
| Administrative Expenses | (2,434) | (2,398) | (2,434) | (2,398) |
| Other Expenses | (2,043) | (1,281) | (2,043) | (1,281) |
| Finance Costs | (26,673) | (27,237) | (26,673) | (27,237) |
| Share of Profit of Associate | <u>-</u> | <u>1,249</u> | <u>-</u> | <u>1,249</u> |
| Profit / (Loss) Before Tax | 8,114 | (3,701) | 8,114 | (3,701) |
| Income Tax Expense | <u>(3,250)</u> | <u>-</u> | <u>(3,250)</u> | <u>-</u> |
| Profit / (Loss) For The Period | <u>4,864</u> | <u>(3,701)</u> | <u>4,864</u> | <u>(3,701)</u> |
| Attributable To: | | | | |
| Equity Holders of The Parent | 2,065 | (3,701) | 2,065 | (3,701) |
| Minority Interest | <u>2,799</u> | <u>-</u> | <u>2,799</u> | <u>-</u> |
| | <u>4,864</u> | <u>(3,701)</u> | <u>4,864</u> | <u>(3,701)</u> |
| Earnings / (Loss) Per Share Attributable To Equity Holders of The Parent (Sen): Basic, For Profit / (Loss) For The Period | <u>0.92</u> | <u>(1.66)</u> | <u>0.92</u> | <u>(1.66)</u> |

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 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 2007**

| | Unaudited As At End of Current Period 31 Mar 07 RM'000 | Audited As At Preceding Financial Period 31 Dec 06 RM'000 |
|---------------------------------------|---|--|
| ASSETS | | |
| <u>NON-CURRENT ASSETS</u> | | |
| PROPERTY, PLANT AND EQUIPMENT | 4,980 | 5,096 |
| LAND HELD FOR PROPERTY DEVELOPMENT | 82,727 | 82,727 |
| GOODWILL ON CONSOLIDATION | 151,309 | 153,205 |
| CONCESSION INCOME RECEIVABLES | 1,102,218 | 1,106,113 |
| <u>CURRENT ASSETS</u> | | |
| Property Development Costs | 62,698 | 63,735 |
| Trade and Other Receivables | 142,459 | 147,973 |
| Tax Recoverable | 264 | 264 |
| Deposits, Cash and Bank Balances | 126,384 | 53,445 |
| | 331,805 | 265,417 |
| Investment In Associate Held for Sale | - | 39,800 |
| | 331,805 | 305,217 |
| TOTAL ASSETS | <u>1,673,039</u> | <u>1,652,358</u> |

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 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 2007**

| | Unaudited As At End of Current Period 31 Mar 07 RM'000 | Audited As At Preceding Financial Period 31 Dec 06 RM'000 |
|---|---|--|
| EQUITY AND LIABILITIES | | |
| SHARE CAPITAL | 223,509 | 223,509 |
| SHARE PREMIUM | 103,563 | 103,563 |
| ACCUMULATED LOSSES | (99,274) | (101,339) |
| TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT | 227,798 | 225,733 |
| MINORITY INTEREST | 4,655 | 1,856 |
| TOTAL EQUITY | 232,453 | 227,589 |
| <u>NON-CURRENT LIABILITIES</u> | | |
| Trade Payables | 80,575 | 80,575 |
| Long Term Borrowings | 1,076,478 | 1,106,110 |
| Deferred Taxation | 8,983 | 8,984 |
| Hire Purchase Payables | - | 47 |
| | 1,166,036 | 1,195,716 |
| <u>CURRENT LIABILITIES</u> | | |
| Trade and Other Payables | 111,809 | 109,401 |
| Amount Due to Corporate Shareholder | - | 584 |
| Short Term Borrowings | 158,818 | 117,519 |
| Hire Purchase Payables | 171 | 177 |
| Provision for Taxation | 3,752 | 1,372 |
| | 274,550 | 229,053 |
| TOTAL LIABILITIES | 1,440,586 | 1,424,769 |
| TOTAL EQUITY AND LIABILITIES | 1,673,039 | 1,652,358 |
| NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (RM) | 1.02 | 1.01 |

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

ENCORP BERHAD

(Company No: 506836-X)





(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007**

| | Attributable to Equity Holders of the Parent | | | | Minority Interest | Total Equity |
|-----------------------|--|--|--|-----------------|----------------------|-----------------|
| | Share Capital RM'000 | Non - Distributable Share Premium RM'000 | Distributable Retained Profits/ (Accumulated Losses) RM'000 | Total RM'000 | | |
| At 1 January 2006 | 223,509 | 103,563 | 23,505 | 350,577 | - | 350,577 |
| Loss for the period | - | - | (3,701) | (3,701) | - | (3,701) |
| At 31 March 2006 | <u>223,509</u> | <u>103,563</u> | <u>19,804</u> | <u>346,876</u> | - | <u>346,876</u> |
| At 1 January 2007 | 223,509 | 103,563 | (101,339) | 225,733 | 1,856 | 227,589 |
| Profit for the period | - | - | 2,065 | 2,065 | 2,799 | 4,864 |
| At 31 March 2007 | <u>223,509</u> | <u>103,563</u> | <u>(99,274)</u> | <u>227,798</u> | <u>4,655</u> | <u>232,453</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.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007**

| |  Unaudited   3 Months Ended  31 Mar 07 31 Mar 06 RM'000 RM'000 |
|--|---|
| Cash Flows From Operating Activities | |
| Profit / loss before taxation | 8,114 (3,701) |
| Adjustments for: | |
| Depreciation | 148 163 |
| Impairment of goodwill on consolidation | 1,896 1,118 |
| Interest expenses | 26,671 27,237 |
| Interest income | (653) (536) |
| Share of profit of associate | - (1,249) |
| | <hr/> |
| Operating profit before working capital changes | 36,176 23,032 |
| Changes in working capital: | |
| Net changes in current assets | 9,396 (262) |
| Net changes in current liabilities | 1,823 12,678 |
| | <hr/> |
| Cash generated from operations | 47,395 35,448 |
| Income taxes paid | (871) (50) |
| Interest paid | (4) (8) |
| | <hr/> |
| Net cash generated from operating activities | <hr/> 46,520 35,390 <hr/> |
| Cash Flows From Investing Activities | |
| Development costs | 1,037 (6,686) |
| Interest received | 566 459 |
| Proceeds from disposal of associate company | 39,900 - |
| Purchase of property, plant and equipment | (32) (50) |
| | <hr/> |
| Net cash generated from / (used in) investing activities | 41,471 (6,277) |

The Condensed Consolidated Cashflow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007**

| |  Unaudited   3 Months Ended  31 Mar 07 31 Mar 06 RM'000 RM'000 |
|---|---|
| Cash Flows From Financing Activities | |
| Redemption of ABBA Notes | (15,000) (15,000) |
| Placement of deposits pledged | (24,094) (11,014) |
| Repayment of hire purchase | (53) (40) |
| Net cash used in financing activities | <u>(39,147)</u> <u>(26,054)</u> |
| Net Increase in Cash and Cash Equivalents | 48,844 3,059 |
| Cash and Cash Equivalents At Beginning of Period | <u>19,144</u> <u>9,393</u> |
| Cash and Cash Equivalents At End of Period | <u>67,988</u> <u>12,452</u> |
| Cash and cash equivalents comprise the following: - | |
| Cash deposits placed with: | |
| - Licensed banks | 56,916 16,312 |
| - Licensed corporation | 52,771 63,123 |
| Cash and bank balances | <u>16,697</u> <u>2,238</u> |
| | 126,384 81,673 |
| Less: Bank balance and deposits pledged / designated | <u>(58,396)</u> <u>(69,221)</u> |
| Cash and Cash Equivalents At End of Period | <u>67,988</u> <u>12,452</u> |

The Condensed Consolidated Cashflow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2006 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 2007

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 2006. 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 2006.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2006 annual financial statements.

A2. Auditors' Report on Preceding Annual Financial Statements

The Group's latest audited financial statements for the financial year ended 31 December 2006 were not subject to any qualification.

A3. Seasonal or Cyclical Factors of Operations

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

A4. 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.

A5. 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.

A6. 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 2007 except for the following: -

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

A7. 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 2007

A8. Segmental Reporting

The Group's segment revenue and results are presented by industry segments for the financial period ended 31 March 2007 as follows: -

| | Investment Holding RM'000 | Property Development RM'000 | Construction RM'000 | Other * RM'000 | Elimination RM'000 | Consolidated RM'000 |
|------------------------------|--|--|--------------------------------|---------------------------|-------------------------------|--------------------------------|
| Segment Revenue | | | | | | |
| - External sales | - | 30,552 | - | 25,641 | - | 56,193 |
| - Inter-segment sales | 1,258 | - | 2,243 | - | (3,501) | - |
| Total revenue | 1,258 | 30,552 | 2,243 | 25,641 | (3,501) | <u>56,193</u> |
| Results | | | | | | |
| - Segment results | 1,965 | 11,867 | (202) | 24,348 | (3,846) | 34,132 |
| - Interest expenses | - | - | (4) | (26,667) | - | (26,671) |
| - Interest income | 239 | 112 | - | 302 | - | 653 |
| - Income tax expense | - | (3,250) | - | - | - | <u>(3,250)</u> |
| Profit the financial period | | | | | | <u>4,864</u> |
| Profit attributable to: | | | | | | |
| Equity holders of the parent | | | | | | 2,065 |
| Minority interest | | | | | | <u>2,799</u> |
| | | | | | | <u>4,864</u> |

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

A9. Valuation of Property, Plant and Equipment

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

A10. Material Events Subsequent to the Balance Sheet Date

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

A11. 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.

A12. Changes in Contingent Liabilities

| | RM'000 |
|------------------------|---------------|
| As at 31 December 2006 | <u>39,511</u> |
| As at 31 March 2007 | <u>39,511</u> |

A13. Capital Commitments

| | RM'000 |
|---------------------|---------------|
| As at 31 March 2007 | <u>13,289</u> |

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 31 MARCH 2007

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

The Group achieved revenue of RM56.19 million for the current financial period ended 31 March 2007. 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 profit after tax for the same financial period is RM4.86 million. It is mainly attributed 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 profit after tax of RM4.86 million as compared to a loss of RM107.41 million recorded in the immediate preceding quarter.

The profits after tax from the property development projects of RM9.33 million in the current quarter have increased in tandem with the encouraging sales and the progress of work. The financial results will improve further with 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. In the preceding quarter, the loss of RM107.41 million was significantly attributed to the provision on the recoverability of the EOT claims and related impairment of goodwill totalling RM107.67 million.

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 March 2007.

B5. Income Tax Expense

| | Current Quarter Ended 31 Mar 07 RM'000 | Current Period Ended 31 Mar 07 RM'000 |
|--------------|---|--|
| Income tax | (3,251) | (3,251) |
| Deferred tax | 1 | 1 |
| | <u>(3,250)</u> | <u>(3,250)</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

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 2007

B9. Group Borrowings

The Group borrowings as at 31 March 2007 comprise: -

| | RM'000 |
|--|-------------------------|
| <u>Short Term Borrowings - Payable Within 12 Months</u> | |
| Hire purchase payables | 171 |
| Al-Bai Bithaman Ajil Notes - secured | 158,818 |
| | <u>158,989</u> |
| <u>Long Term Borrowings - Payable After 12 Months</u> | |
| Advance | 8,000 |
| Al-Bai Bithaman Ajil Notes - secured | 1,068,478 |
| | <u>1,076,478</u> |
| Total group borrowings | <u>1,235,467</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 heard on 6 March 2006. However, the continued hearings were postponed on 10 July and 11 December 2006 respectively. The court has yet to fix a new hearing date as at the date of this report.
- 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 comprises 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 period under review.

B13. Basic Earnings Per Share

| | Current quarter ended 31 Mar 07 RM'000 | Current period ended 31 Mar 07 RM'000 |
|---|---|--|
| Profit attributable to equity holders of the parent (RM'000) | <u>2,065</u> | <u>2,065</u> |
| Weighted average number of ordinary shares in issue ('000) | <u>223,509</u> | <u>223,509</u> |
| Basic earnings per ordinary share (Sen) | <u>0.92</u> | <u>0.92</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 PERIOD ENDED 31 MARCH 2007

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 2007.

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

Chua Siew Chuan
Company Secretary

25 May 2007