

ENCORP BERHAD

(506836-X)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2007**

(Unaudited)

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ENCORP BERHAD

(Company No: 506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007**

	Unaudited Individual Quarter		Unaudited Cumulative Quarters	
	Current Quarter Ended 30 Sept 07 RM'000	Preceding Year Corresponding 30 Sept 06 RM'000	Current Year To Date 30 Sept 07 RM'000	Preceding Year Corresponding Year 30 Sept 06 RM'000
Revenue	61,480	44,212	270,836	100,677
Cost of Sales	<u>(19,643)</u>	<u>(13,152)</u>	<u>(62,651)</u>	<u>(17,413)</u>
Gross Profit	41,837	31,060	208,185	83,264
Other Income	1,143	607	3,105	1,937
Selling and Marketing Expenses	(366)	(711)	(1,121)	(2,042)
Administrative Expenses	(2,865)	(3,232)	(8,250)	(7,990)
Other Expenses	(2,453)	(1,855)	(10,665)	(4,456)
Finance Costs	<u>(26,735)</u>	<u>(27,840)</u>	<u>(83,341)</u>	<u>(82,616)</u>
Profit / (Loss) Before Tax	10,561	(1,971)	107,913	(11,903)
Income Tax Expense	<u>(3,665)</u>	<u>(322)</u>	<u>(31,289)</u>	<u>(322)</u>
Profit / (Loss) For The Period	6,896	(2,293)	76,624	(12,225)
Asset Held for Sale				
Share of Profit of Associate	-	1,571	-	4,064
Net Fair Value Less Carrying Value	<u>-</u>	<u>(7,151)</u>	<u>-</u>	<u>(7,151)</u>
	<u>-</u>	<u>(5,580)</u>	<u>-</u>	<u>(3,087)</u>
Profit / (Loss) For The Period	<u>6,896</u>	<u>(7,873)</u>	<u>76,624</u>	<u>(15,312)</u>
Attributable To:				
Equity Holders of The Parent	4,283	(8,243)	69,525	(15,682)
Minority Interest	<u>2,613</u>	<u>370</u>	<u>7,099</u>	<u>370</u>
	<u>6,896</u>	<u>(7,873)</u>	<u>76,624</u>	<u>(15,312)</u>
Earnings / (Loss) Per Share Attributable To Equity Holders of The Parent (Sen):				
Basic, For Profit / (Loss) For The Period	<u>1.92</u>	<u>(3.69)</u>	<u>31.11</u>	<u>(7.02)</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 30 SEPT 2007**

	Unaudited As At End of Current Period 30 Sept 07 RM'000	Audited As At Preceding Financial Period 31 Dec 06 RM'000
ASSETS		
<u>NON-CURRENT ASSETS</u>		
PROPERTY, PLANT AND EQUIPMENT	6,156	5,096
LAND HELD FOR PROPERTY DEVELOPMENT	82,727	82,727
GOODWILL ON CONSOLIDATION	143,037	153,205
CONCESSION INCOME RECEIVABLES	1,038,986	1,106,113
<u>CURRENT ASSETS</u>		
Property Development Costs	55,363	63,735
Trade and Other Receivables	300,220	147,973
Tax Recoverable	264	264
Deposits, Cash and Bank Balances	111,351	53,445
	467,198	265,417
Investment In Associate Held for Sale	-	39,800
	467,198	305,217
TOTAL ASSETS	1,738,104	1,652,358

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 30 SEPT 2007**

	Unaudited As At End of Current Period 30 Sept 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 LOSS	(39,974)	(101,339)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	287,098	225,733
MINORITY INTEREST	5,736	1,856
TOTAL EQUITY	292,834	227,589
<u>NON-CURRENT LIABILITIES</u>		
Trade Payables	80,575	80,575
Long Term Borrowings	1,069,137	1,106,110
Deferred Taxation	33,010	8,984
Hire Purchase Payables	955	47
	1,183,677	1,195,716
<u>CURRENT LIABILITIES</u>		
Trade and Other Payables	128,969	109,401
Amount Due to Corporate Shareholder	-	584
Short Term Borrowings	128,042	117,519
Hire Purchase Payables	160	177
Provision for Taxation	4,422	1,372
	261,593	229,053
TOTAL LIABILITIES	1,445,270	1,424,769
TOTAL EQUITY AND LIABILITIES	1,738,104	1,652,358
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (RM)		
	1.28	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 30 SEPTEMBER 2007**

	Attributable to Equity Holders of the Parent			Total	Minority Interest	Total Equity
	Share Capital RM'000	Non - Distributable Share Premium RM'000	Distributable Retained Profits/ (Accumulated Losses) RM'000			
At 1 January 2006	223,509	103,563	23,505	350,577	-	350,577
Loss for the period	-	-	(15,682)	(15,682)	370	(15,312)
At 30 September 2006	<u>223,509</u>	<u>103,563</u>	<u>7,823</u>	<u>334,895</u>	<u>370</u>	<u>335,265</u>
At 1 January 2007	223,509	103,563	(101,339)	225,733	1,856	227,589
Profit for the period	-	-	69,525	69,525	7,099	76,624
Dividends			(8,160)	(8,160)	(3,219)	(11,379)
At 30 September 2007	<u>223,509</u>	<u>103,563</u>	<u>(39,974)</u>	<u>287,098</u>	<u>5,736</u>	<u>292,834</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 2006 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2007**

	 Unaudited   9 Months Ended  30 Sept 07 30 Sept 06 RM'000 RM'000	
Cash Flows From Operating Activities		
Profit / (loss) before taxation	107,913	(11,903)
Adjustments for:		
Depreciation	496	442
Provision for doubtful debts	-	3
Gain on disposal of property, plant and equipment	(2)	(6)
Impairment of goodwill on consolidation	10,169	4,014
Interest expenses	83,341	82,616
Interest income	(2,571)	(1,893)
	<hr/>	<hr/>
Operating profit before working capital changes	199,346	73,273
Changes in working capital:		
Net change in concession income		
Net changes in current assets	(85,470)	(14,057)
Net changes in current liabilities	19,915	30,317
	<hr/>	<hr/>
Cash generated from operations	133,791	89,533
Income taxes paid	(5,091)	(21)
Interest paid	(21)	(1,078)
Tax refund	878	-
	<hr/>	<hr/>
Net cash generated from operating activities	129,557	88,434
	<hr/>	<hr/>
Cash Flows From Investing Activities		
Development costs	8,372	(17,229)
Dividend income	-	3,136
Interest received	2,571	1,587
Proceeds from disposal of associate company	39,800	-
Proceeds from disposal of property, plant and equipment	2	15
Purchase of property, plant and equipment	(438)	(206)
	<hr/>	<hr/>
Net cash generated from / (used in) investing activities	50,307	(12,697)

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 30 SEPTEMBER 2007**


30 Sept 07 **30 Sept 06**
RM'000 **RM'000**

Cash Flows From Financing Activities

Redemption of ABBA Notes	(109,767)	(79,755)
Repayment of advances	(584)	-
Dividends paid	(11,379)	-
Placement of deposits pledged	(16,017)	14,339
Repayment of hire purchase	(228)	(120)
Net cash used in financing activities	(137,975)	(65,536)
Net Increase in Cash and Cash Equivalents	41,889	10,201
Cash and Cash Equivalents At Beginning of Period	19,144	9,393
Cash and Cash Equivalents At End of Period	61,033	19,594

Cash and cash equivalents comprise the following: -

Cash deposits placed with:		
- Licensed banks	19,360	21,257
- Licensed corporation	84,567	38,194
Cash and bank balances	7,424	4,011
	111,351	63,462
Less: Bank balance and deposits pledged / designated	(50,318)	(43,868)
Cash and Cash Equivalents At End of Period	61,033	19,594

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 30 SEPT 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 30 September 2007 except for the following: -

	RM'000
<u>Repayment</u>	
Tranches 1, 2 and 3 of Encorp Systembilt Sdn Bhd's ("ESSB") Al-Bai Bithaman Ajil Notes ("Baidis")	<u>(109,767)</u>

A7. Dividends Paid

An interim dividend of 5% less 27% Malaysian income tax in respect of the financial year ending 31 December 2007 amounting to RM8,158,062 was paid on 20 September 2007.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPT 2007

A8. Segmental Reporting

The Group's segment revenue and results are presented by industry segments for the financial period ended 30 September 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	-	96,115	-	174,721	-	270,836
- Inter-segment sales	<u>24,550</u>	<u>-</u>	<u>10,003</u>	<u>-</u>	<u>(34,553)</u>	<u>-</u>
Total revenue	24,550	96,115	10,003	174,721	(34,553)	<u><u>270,836</u></u>
Results						
- Segment results	21,918	29,242	(443)	170,977	(33,011)	188,683
- Interest expenses	(5)	-	(17)	(83,319)	-	(83,341)
- Interest income	658	590	-	1,323	-	2,571
- Income tax expense	(5,601)	(8,097)	-	(24,025)	6,434	<u>(31,289)</u>
Profit the financial period						<u><u>76,624</u></u>
Profit attributable to:						
Equity holders of the parent						69,525
Minority interest						<u>7,099</u>
						<u><u>76,624</u></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><u>39,511</u></u>
As at 30 September 2007	<u><u>39,511</u></u>

A13. Capital Commitments

	RM'000
As at 31 December 2006	<u><u>13,289</u></u>
As at 30 September 2007	<u><u>-</u></u>

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPT 2007

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

The Group achieved a revenue of RM270.84 million for the current financial period ended 30 September 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 revenue for the period include the final accounts which were settled with the Ministry of Education (MOE).

The Group's profit after tax for the same financial period is RM76.62 million. Likewise, it is derived from the teachers' quarters and the development projects in the subsidiaries.

B2. Comparison with Immediate Preceding Quarter

For the current quarter under review, the Group recorded a profit after tax of RM6.90 million as compared to RM64.86 million in the immediate preceding quarter.

The drop in profit in the current quarter as compared to the preceding quarter is due mainly to the recognition of a one-off retrospective concession income on the final accounts of RM57.6 million which was finalised with the MOE at the Dispute Resolution Committee ("DRC") meeting held on 8 June 2007. Since the settlement, the MOE has been making a monthly payment of RM11.3m.

For the current quarter, the profits were contributed from the concession income and the revenue from the property development projects.

B3. Current Year Prospect

The settlement of the final accounts of the teachers' quarters project will result in a constant stream of income to the Group until the expiry of the concession in year 2028. The revenue will be further enhanced by the sale and the development of the properties in a subsidiary company.

B4. Variance from Forecast Profit and Profit Guarantee

Not applicable for the current quarter ended 30 September 2007.

B5. Income Tax Expense

	Current Quarter Ended 30 Sept 07 RM'000	Current Year Ended 30 Sept 07 RM'000
Income tax	(3,019)	(7,264)
Deferred tax	(646)	(24,025)
	<u>(3,665)</u>	<u>(31,289)</u>

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

B6. Disposal of Unquoted Investments and Properties

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

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPT 2007

B7. Purchase or Disposal of Quoted Securities

There were 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.

B9. Group Borrowings

The Group borrowings as at 30 September 2007 comprise: -

	RM'000
<u>Short Term Borrowings - Payable Within 12 Months</u>	
Hire purchase payables	160
Al-Bai Bithaman Ajil Notes - secured	128,042
	<u>128,202</u>
<u>Long Term Borrowings - Payable After 12 Months</u>	
Hire purchase payables	955
Advance	8,000
Al-Bai Bithaman Ajil Notes - secured	1,061,137
	<u>1,070,092</u>
Total group borrowings	<u>1,198,294</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.
- 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 RM5 million 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

The Board of Directors had on 31 July 2007 declared an interim dividend of 5% less 27% Malaysian income tax in respect of the financial year ending 31 December 2007. The dividend was paid on 20 September 2007.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 SEPT 2007

B13. Basic Earnings Per Share

	Current quarter ended 30 Sept 07	Current period ended 30 Sept 07
	RM'000	RM'000
Attributable to ordinary equity holders of the parent Profit attributable to equity holders of the parent (RM'000)	<u>4,283</u>	<u>69,525</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>1.92</u>	<u>31.11</u>

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

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 15 November 2007.

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

Chua Siew Chuan
Company Secretary

15 November 2007