

ENCORP BERHAD

(506836-X)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2008**

(Unaudited)

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ENCORP BERHAD

(Company No: 506836-X)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED INCOME STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2008**

	← Unaudited → ← Individual Quarter →		← Unaudited → ← Cumulative Quarters →	
	Current Quarter Ended 30 Jun 08 RM'000	Preceding Year Corresponding Quarter 30 Jun 07 RM'000	Current Year To Date 30 Jun 08 RM'000	Preceding Year Corresponding Period 30 Jun 07 RM'000
Revenue	75,380	153,163	127,363	209,356
Cost of Sales	<u>(25,358)</u>	<u>(25,508)</u>	<u>(39,438)</u>	<u>(43,008)</u>
Gross Profit	50,022	127,655	87,925	166,348
Other Income	1,342	1,187	2,763	1,961
Selling and Marketing Expenses	(137)	(551)	(220)	(754)
Administrative Expenses	(3,066)	(2,951)	(5,846)	(5,385)
Other Expenses	(2,936)	(6,169)	(5,138)	(8,212)
Finance Costs	<u>(26,050)</u>	<u>(29,933)</u>	<u>(52,100)</u>	<u>(56,606)</u>
Profit Before Tax	19,175	89,238	27,384	97,352
Income Tax Expense	<u>(4,068)</u>	<u>(24,374)</u>	<u>(6,083)</u>	<u>(27,624)</u>
Profit After Tax	<u>15,107</u>	<u>64,864</u>	<u>21,301</u>	<u>69,728</u>
Attributable To:				
Equity Holders of The Parent	10,683	61,818	15,092	63,883
Minority Interest	<u>4,424</u>	<u>3,046</u>	<u>6,209</u>	<u>5,845</u>
	<u>15,107</u>	<u>64,864</u>	<u>21,301</u>	<u>69,728</u>
Earnings Per Share Attributable To Equity Holders of The Parent (Sen):				
Basic, For Profit For The Period	<u>4.80</u>	<u>27.66</u>	<u>6.78</u>	<u>28.58</u>

The Condensed Consolidated Income Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 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 2008**

	Unaudited As At 30 Jun 08 RM'000	Audited As At 31 Dec 07 RM'000
ASSETS		
<u>NON-CURRENT ASSETS</u>		
PROPERTY, PLANT AND EQUIPMENT	5,613	5,971
LAND HELD FOR PROPERTY DEVELOPMENT	51,568	51,568
GOODWILL ON CONSOLIDATION	136,172	140,879
CONCESSION INCOME RECEIVABLES	1,024,972	1,045,812
DEFERRED TAX ASSETS	171	151
<u>CURRENT ASSETS</u>		
Property Development Costs	88,227	91,776
Trade and Other Receivables	187,721	167,336
Tax Recoverable	951	993
Investment in fixed income trust funds	49,799	-
Deposits, Cash and Bank Balances	158,426	235,595
	485,124	495,700
TOTAL ASSETS	<u>1,703,620</u>	<u>1,740,081</u>

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 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 2008**

	Unaudited As At 30 Jun 08 RM'000	Audited As At 31 Dec 07 RM'000
EQUITY AND LIABILITIES		
SHARE CAPITAL	223,509	223,509
TREASURY SHARES	(4,535)	
SHARE PREMIUM	103,563	103,563
ACCUMULATED LOSS	(36,122)	(40,196)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	<u>286,415</u>	<u>286,876</u>
MINORITY INTEREST	<u>13,047</u>	<u>6,838</u>
TOTAL EQUITY	299,462	293,714
<u>NON-CURRENT LIABILITIES</u>		
Trade Payables	74,215	74,215
Long Term Borrowings	1,076,194	1,088,095
Deferred Taxation	30,094	30,094
Hire Purchase Payables	282	759
	<u>1,180,785</u>	<u>1,193,163</u>
<u>CURRENT LIABILITIES</u>		
Trade and Other Payables	87,361	118,794
Short Term Borrowings	128,042	128,042
Hire Purchase Payables	629	301
Provision for Taxation	7,341	6,067
	<u>223,373</u>	<u>253,204</u>
TOTAL LIABILITIES	<u>1,404,158</u>	<u>1,446,367</u>
TOTAL EQUITY AND LIABILITIES	<u>1,703,620</u>	<u>1,740,081</u>
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (RM)	<u>1.29</u>	<u>1.28</u>

The Condensed Consolidated Balance Sheet should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 30 JUNE 2008**

	Attributable to Equity Holders of the Parent					Minority Interest RM'000	Total Equity RM'000
	← Non - Distributable →			Distributable			
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Accumulated Losses RM'000	Total RM'000		
At 1 January 2008	223,509	-	103,563	(40,196)	286,876	6,838	293,714
Profit for the period	-	-	-	15,092	15,092	6,209	21,301
Dividend paid	-	-	-	(11,018)	(11,018)	-	(11,018)
Purchase of treasury shares	-	(4,535)	-	-	(4,535)	-	(4,535)
At 30 JUNE 2008	<u>223,509</u>	<u>(4,535)</u>	<u>103,563</u>	<u>(36,122)</u>	<u>286,415</u>	<u>13,047</u>	<u>299,462</u>
At 1 January 2007	223,509	-	103,563	(101,339)	225,733	1,856	227,589
Profit for the period	-	-	-	63,883	63,883	5,845	69,728
At 30 JUNE 2007	<u>223,509</u>	<u>-</u>	<u>103,563</u>	<u>(37,456)</u>	<u>289,616</u>	<u>7,701</u>	<u>297,317</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 2007 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2008**

	← Unaudited →	← 6 Months Ended →
	30 Jun 08	30 Jun 07
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	27,384	97,352
Adjustments for:		
Depreciation	432	294
Gain on disposal of property, plant and equipment	-	(2)
Impairment of goodwill on consolidation	4,707	7,918
Interest expenses	52,100	56,606
Interest income	(2,756)	(1,509)
	81,867	160,659
Operating profit before working capital changes		
Changes in working capital:		
Net changes in current assets	455	(42,392)
Net changes in current liabilities	(31,433)	(14,078)
	50,889	104,189
Cash generated from operations		
Income taxes paid	(6,104)	(2,165)
Interest paid	(22)	(6)
Tax refund	1,317	878
	46,080	102,896
Net cash generated from operating activities		
Cash Flows From Investing Activities		
Development costs	3,549	19,510
Purchase of treasury shares	(4,535)	-
Interest received	2,756	1,433
Proceeds from disposal of associate company	-	39,900
Proceeds from disposal of property, plant and equipment	-	(62)
Purchase of property, plant and equipment	(74)	-
	1,696	60,781
Net cash generated from investing activities		

The Condensed Consolidated Cashflow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2008**

← Unaudited →
 ← 6 Months Ended →
30 Jun 08 **30 Jun 07**
RM'000 **RM'000**

Cash Flows From Financing Activities

Redemption of ABBA Notes	(63,979)	(53,468)
Repayment of advances	-	(584)
Dividends paid	(11,018)	-
Release / (Placement) of deposits pledged	6,318	(75,860)
Repayment of hire purchase	(149)	(80)
Net cash used in financing activities	<u>(68,828)</u>	<u>(129,992)</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(21,052)	33,685
Cash and Cash Equivalents At Beginning of Period	<u>108,448</u>	<u>19,144</u>
Cash and Cash Equivalents At End of Period	<u>87,396</u>	<u>52,829</u>

Cash and cash equivalents comprise the following: -

Cash deposits placed with:		
- Licensed banks	30,150	33,331
- Licensed corporation	118,463	122,039
Cash and bank balances	<u>9,813</u>	<u>7,620</u>
	158,426	162,990
Investment in fixed income trust fund	49,799	-
Less: Bank balance and deposits pledged / designated	<u>(120,829)</u>	<u>(110,161)</u>
Cash and Cash Equivalents At End of Period	<u>87,396</u>	<u>52,829</u>

The Condensed Consolidated Cashflow Statement should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2007 and the accompanying explanatory notes attached to the interim financial statements.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2008

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 2007. 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 2007.

The interim financial statements have been prepared in accordance with the same accounting policies adopted in the 2007 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 2007 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, resales and repayments of debt and equity securities for the current financial period ended 30 JUNE 2008 except for the following: -

- | | |
|--|-----------------|
| a) Repayment | RM'000 |
| Tranches 1, 2 and 3 of Encorp Systembilt Sdn Bhd's ("ESSB") Al-Bai Bithaman Ajil Notes ("Baidas") | <u>(63,979)</u> |
| b) For the period ended 30 June 2008, the Group has repurchased 4,522,300 ordinary shares of RM1.00 each from the open market for a total cost of approximately RM4.54 million at prices ranging from RM0.85 to RM1.00 per share. These shares have been retained as treasury shares of the Company. | |

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2008

A7. Dividends Paid

On 7 April 2008, dividend of 5% per ordinary share which comprised of a 4.73% single-tier exempt dividend and a 0.27% dividend less 26% Malaysian income tax in respect of the financial year ended 31 December 2007 was paid.

A8. Segmental Reporting

The Group's segment revenue and results are presented by industry segments for the financial period ended 30 JUNE 2008 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	-	68,435	-	58,928	-	127,363
- Inter-segment sales	2,220	-	11,544	-	(13,764)	-
Total revenue	2,220	68,435	11,544	58,928	(13,764)	127,363
Results						
- Segment results	(1,952)	27,570	(1,249)	56,981	(4,622)	76,728
- Interest expenses	(22)	-	-	(52,078)	-	(52,100)
- Interest income	1,022	525	-	1,209	-	2,756
- Income tax expense	1,317	(7,399)	(1)	-	-	(6,083)
Profit the financial period						21,301
Profit attributable to:						
Equity holders of the parent						15,092
Minority interest						6,209
						21,301

* 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 during the financial period under review.

A10. Material Events Subsequent to the Balance Sheet Date

Subsequent to the end of the current quarter, the Group has repurchased 2,732,200 ordinary shares of RM1.00 each from the open market for a total cost of approximately RM1.89 million at prices ranging from RM0.57 to RM0.78 per share. The repurchased shares are held as treasury shares. As at the date of this report, the total number of treasury shares held is 7,254,500.

On 7 August 2008, the subsidiary company, Encorp Construct Sdn. Bhd, has received letters of award dated 23 July 2008 from the Ministry of Education to build, upgrade and repair schools and hostels in the State of Sarawak at a total contract value of RM150 million over a period of 12 to 24 months.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2008

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 2007	<u>35,411</u>
As at 30 JUNE 2008	<u>35,411</u>

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

The Group achieved a revenue of RM127.36 million for the current financial period ended 30 June 2008. 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 includes the final accounts which were settled with the Ministry of Education (MOE).

The Group's profit after tax for the same financial period is RM21.30 million. Likewise, it is mainly 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 RM15.11 million as compared to RM6.19 million in the immediate preceding quarter. The profits were derived from the concession income and the revenue from the property development projects.

The increase in profit in the current quarter as compared to the preceding quarter is due mainly to the increase in sales and progress of works on the property development projects.

B3. Current Year Prospect

The settlement of the final accounts of the teachers' quarters project has resulted in a constant stream of income to the Group which will expire 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 current quarter.

B5. Income Tax Expense

	Current Quarter Ended 30 Jun 08 RM'000	Current Year-To-Date 30 Jun 08 RM'000
Income tax	(4,094)	(6,103)
Deferred tax	26	20
	<u>(4,068)</u>	<u>(6,083)</u>

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

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2008

B6. Disposal of Unquoted Investments and Properties

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

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 JUNE 2008 comprise: -

	RM'000
<u>Short Term Borrowings - Payable Within 12 Months</u>	
Hire purchase payables	629
Al-Bai Bithaman Ajil Notes - secured	<u>128,042</u>
	<u>128,671</u>
<u>Long Term Borrowings - Payable After 12 Months</u>	
Hire purchase payables	282
Advance	8,000
Al-Bai Bithaman Ajil Notes - secured	<u>1,068,194</u>
	<u>1,076,476</u>
Total group borrowings	<u>1,205,147</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 (subsequently amended to RM3.6 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 trial concluded on 5 December 2007. The two subsidiaries' solicitors have filed their written submission and the third party's solicitors have also filed their written submission. Thereafter the two subsidiaries' solicitors filed their reply submission into Court. The Court has yet to fix a date for the decision.
- 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 13 to 17 October 2008.

ENCORP BERHAD (506836-X)
EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 JUNE 2008

B12. Dividends

The Board of Directors has declared an interim single-tier tax exempt dividend of 5% in respect of the financial year ending 31 December 2008. The dividend will be paid on 17 October 2008 to shareholders whose names appear in the Register of Members and Record of Depositors on 22 September 2008.

B13. Basic Earnings Per Share

	Current quarter ended 30 Jun 08	Current year-to-date 30 Jun 08
	<u>RM'000</u>	<u>RM'000</u>
Attributable to ordinary equity holders of the parent Profit attributable to equity holders of the parent (RM'000)	<u>10,683</u>	<u>15,092</u>
Weighted average number of ordinary shares in issue ('000)	<u>222,734</u>	<u>222,734</u>
Basic earnings per ordinary share (Sen)	<u><u>4.80</u></u>	<u><u>6.78</u></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 27 August 2008.

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

Chua Siew Chuan
 Company Secretary

27 August 2008