

ENCORP BERHAD

(506836-X)

(Incorporated in Malaysia)

**INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2008**
(Unaudited)

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ENCORP BERHAD

(Company No: 506836-X)

(Incorporated in Malaysia)

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

	← Unaudited → ← Individual Quarter →		← Unaudited → ← Cumulative Quarters →	
	Current Quarter Ended 30 Sept 08 RM'000	Preceding Year Corresponding Quarter 30 Sept 07 RM'000	Current Year To Date 30 Sept 08 RM'000	Preceding Year Corresponding Period 30 Sept 07 RM'000
Revenue	78,927	61,480	206,289	270,836
Cost of Sales	<u>(26,345)</u>	<u>(19,643)</u>	<u>(65,783)</u>	<u>(62,651)</u>
Gross Profit	52,582	41,837	140,506	208,185
Other Income	1,532	1,143	4,294	3,105
Selling and Marketing Expenses	(467)	(366)	(687)	(1,121)
Administrative Expenses	(2,877)	(2,865)	(8,722)	(8,250)
Other Expenses	(3,069)	(2,453)	(8,206)	(10,665)
Finance Costs	<u>(26,049)</u>	<u>(26,735)</u>	<u>(78,149)</u>	<u>(83,341)</u>
Profit Before Tax	21,652	10,561	49,036	107,913
Income Tax Expense	<u>(6,795)</u>	<u>(3,665)</u>	<u>(12,878)</u>	<u>(31,289)</u>
Profit After Tax	<u>14,857</u>	<u>6,896</u>	<u>36,158</u>	<u>76,624</u>
Attributable To:				
Equity Holders of The Parent	10,147	4,283	25,239	69,525
Minority Interest	<u>4,710</u>	<u>2,613</u>	<u>10,919</u>	<u>7,099</u>
	<u>14,857</u>	<u>6,896</u>	<u>36,158</u>	<u>76,624</u>
Earnings Per Share Attributable To Equity Holders of The Parent (Sen):				
Basic, For Profit For The Period	<u>4.59</u>	<u>1.92</u>	<u>11.43</u>	<u>31.11</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 SEPTEMBER 2008**

	Unaudited As At 30 Sept 08 RM'000	Audited As At 31 Dec 07 RM'000
ASSETS		
<u>NON-CURRENT ASSETS</u>		
PROPERTY, PLANT AND EQUIPMENT	5,407	5,971
LAND HELD FOR PROPERTY DEVELOPMENT	51,568	51,568
GOODWILL ON CONSOLIDATION	133,313	140,879
CONCESSION INCOME RECEIVABLES	1,020,066	1,045,812
DEFERRED TAX ASSETS	237	151
<u>CURRENT ASSETS</u>		
Property Development Costs	91,978	91,776
Trade and Other Receivables	174,274	167,336
Tax Recoverable	951	993
Deposits, Cash and Bank Balances	184,415	235,595
	<u>451,618</u>	<u>495,700</u>
TOTAL ASSETS	<u>1,662,209</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 SEPTEMBER 2008**

	Unaudited As At 30 Sept 08 RM'000	Audited As At 31 Dec 07 RM'000
EQUITY AND LIABILITIES		
SHARE CAPITAL	223,509	223,509
TREASURY SHARES	(6,494)	-
SHARE PREMIUM	103,563	103,563
ACCUMULATED LOSS	(25,975)	(40,196)
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT	294,603	286,876
MINORITY INTEREST	17,757	6,838
TOTAL EQUITY	312,360	293,714
<u>NON-CURRENT LIABILITIES</u>		
Trade Payables	74,215	74,215
Long Term Borrowings	1,045,933	1,088,095
Deferred Taxation	30,093	30,094
Hire Purchase Payables	200	759
	1,150,441	1,193,163
<u>CURRENT LIABILITIES</u>		
Trade and Other Payables	59,854	118,794
Short Term Borrowings	128,042	128,042
Hire Purchase Payables	636	301
Provision for Taxation	10,876	6,067
	199,408	253,204
TOTAL LIABILITIES	1,349,849	1,446,367
TOTAL EQUITY AND LIABILITIES	1,662,209	1,740,081
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT (RM)	1.33	1.28

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 SEPTEMBER 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	-	-	-	25,239	25,239	10,919	36,158
Dividend paid	-	-	-	(11,018)	(11,018)	-	(11,018)
Purchase of treasury shares	-	(6,494)	-	-	(6,494)	-	(6,494)
At 30 September 2008	<u>223,509</u>	<u>(6,494)</u>	<u>103,563</u>	<u>(25,975)</u>	<u>294,603</u>	<u>17,757</u>	<u>312,360</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>-</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 2007 and the accompanying explanatory notes attached to the interim financial statements.

**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
 FOR THE QUARTER ENDED 30 SEPTEMBER 2008**

	← Unaudited →	← 9 Months Ended →
	30 Sept 08	30 Sept 07
	RM'000	RM'000
Cash Flows From Operating Activities		
Profit before taxation	49,036	107,913
Adjustments for:		
Depreciation	640	496
Gain on disposal of property, plant and equipment	-	(2)
Impairment of goodwill on consolidation	7,566	10,169
Interest expenses	78,149	83,341
Interest income	(4,278)	(2,571)
	131,113	199,346
Operating profit before working capital changes		
Changes in working capital:		
Net changes in current assets	18,808	(85,470)
Net changes in current liabilities	(58,940)	19,915
	90,981	133,791
Cash generated from operations		
Income taxes paid	(9,431)	(5,091)
Interest paid	(31)	(21)
Tax refund	1,317	878
	82,836	129,557
Net cash generated from operating activities		
Cash Flows From Investing Activities		
Development costs	(202)	8,372
Purchase of treasury shares	(6,494)	-
Interest received	4,278	2,571
Proceeds from disposal of associate company	-	39,800
Proceeds from disposal of property, plant and equipment	-	2
Purchase of property, plant and equipment	(76)	(438)
Net cash (used in)/generated from investing activities	(2,494)	50,307

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 QUARTER ENDED 30 SEPTEMBER 2008**

← Unaudited →
 ← 9 Months Ended →
30 Sept 08 30 Sept 07
RM'000 RM'000

Cash Flows From Financing Activities

Redemption of ABBA Notes	(120,280)	(109,767)
Repayment of advances	-	(584)
Dividends paid	(11,018)	(11,379)
Release / (Placement) of deposits pledged	12,855	(16,017)
Repayment of hire purchase	(224)	(228)
Net cash used in financing activities	<u>(118,667)</u>	<u>(137,975)</u>
Net (Decrease)/Increase in Cash and Cash Equivalents	(38,325)	41,889
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>70,123</u>	<u>61,033</u>

Cash and cash equivalents comprise the following: -

Cash deposits placed with:		
- Licensed banks	23,432	19,360
- Licensed corporation	108,162	84,567
Cash and bank balances	<u>7,683</u>	<u>7,424</u>
	139,277	111,351
Investment in fixed income trust fund	45,138	-
Less: Bank balance and deposits pledged / designated	<u>(114,292)</u>	<u>(50,318)</u>
Cash and Cash Equivalents At End of Period	<u>70,123</u>	<u>61,033</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 SEPTEMBER 2008

A. Explanatory Notes Pursuant to FRS 134: Interim Financial Reporting

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 September 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>(120,280)</u> |
| b) For the period ended 30 September 2008, the Group has repurchased 7,348,400 ordinary shares of RM1.00 each from the open market for a total cost of approximately RM6.50 million at prices ranging from RM0.57 to RM1.00 per share. These shares have been retained as treasury shares of the Company. | |

A7. Dividends Paid

On 7 April 2008, dividends 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.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2008

A8. Segmental Reporting

The Group's segment revenue and results are presented by industry segments for the financial period ended 30 September 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	-	118,078	-	88,211	-	206,289
- Inter-segment sales	3,330	-	19,343	-	(22,673)	-
Total revenue	3,330	118,078	19,343	88,211	(22,673)	<u>206,289</u>
Results						
Segment results						
- Segment results	(3,047)	49,860	(1,988)	85,418	(7,336)	122,907
- Interest expenses	(31)	-	-	(78,118)	-	(78,149)
- Interest income	1,449	732	-	2,097	-	4,278
- Income tax expense	1,317	(14,194)	(1)	-	-	<u>(12,878)</u>
Profit for the financial period						<u>36,158</u>
Profit attributable to:						
Equity holders of the parent						25,239
Minority interest						<u>10,919</u>
						<u>36,158</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 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 137,400 ordinary shares of RM1.00 each from the open market for a total cost of approximately RM83,000 at prices ranging from RM0.53 to RM0.61 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 7,485,800.

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.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2008

A12. Changes in Contingent Liabilities

	RM'000
As at 31 December 2007	<u>35,411</u>
As at 30 September 2008	<u>3,604</u>

B. Additional Information Required Pursuant to Bursa Securities Listing Requirements.

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

The Group achieved a revenue of RM206.29 million for the current financial period ended 30 September 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 Group's profit before tax for the same financial period is RM49.04 million. 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 before tax of RM21.65 million as compared to RM19.18 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 Sept 08 RM'000	Current Year-To-Date 30 Sept 08 RM'000
Income tax	(6,861)	(12,964)
Deferred tax	66	86
	<u>(6,795)</u>	<u>(12,878)</u>

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

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 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 outstanding corporate proposals.

B9. Group Borrowings

The Group borrowings as at 30 September 2008 comprise: -

	RM'000
<u>Short Term Borrowings - Payable Within 12 Months</u>	
Hire purchase payables	636
Al-Bai Bithaman Ajil Notes - secured	128,042
	<u>128,678</u>
<u>Long Term Borrowings - Payable After 12 Months</u>	
Hire purchase payables	200
Advance	8,000
Al-Bai Bithaman Ajil Notes - secured	1,037,933
	<u>1,046,133</u>
Total group borrowings	<u>1,174,811</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 9 to 12 December 2008.

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EXPLANATORY NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE QUARTER ENDED 30 SEPTEMBER 2008

B12. Dividends

The Board of Directors had declared an interim single-tier tax exempt dividend of 5% in respect of the financial year ending 31 December 2008. The dividend was paid on 17 October 2008.

B13. Basic Earnings Per Share

	Current quarter ended 30 Sept 08 RM'000	Current year-to-date 30 Sept 08 RM'000
Attributable to ordinary equity holders of the parent Profit attributable to equity holders of the parent (RM'000)	<u>10,147</u>	<u>25,239</u>
Weighted average number of ordinary shares in issue ('000)	<u>220,871</u>	<u>220,871</u>
Basic earnings per ordinary share (Sen)	<u>4.59</u>	<u>11.43</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 20 November 2008.

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

Chua Siew Chuan
 Company Secretary

20 November 2008